

IN THE COURT OF THE TRANSPORT TRIBUNAL

TRANSPORT ACT, 1947, AS AMENDED BY TRANSPORT ACT, 1953

IN THE MATTER OF THE APPLICATION OF THE

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BRITISH TRANSPORT COMMISSION (1958 No. 1)

**To Confirm the
British Transport Commission (Passenger)
Charges Scheme, 1958**

WEDNESDAY, 4TH FEBRUARY, 1959

SIXTH DAY



LONDON: HER MAJESTY'S STATIONERY OFFICE

1959

PRICE 19s. 6d. NET

PROCEEDINGS OF THE TRANSPORT TRIBUNAL

WEDNESDAY, 4th FEBRUARY, 1959

PRESENT :

HUBERT HULL, Esq., C.B.E. (*President*)

J. C. POOLE, Esq., C.B.E., M.C.

H. H. PHILLIPS, Esq., O.B.E.

Mr. E. STEWART FAY, Q.C., and Mr. PATRICK BROWNE (instructed by Mr. M. H. B. Gilmour, Chief Solicitor to the British Transport Commission) appeared on behalf of the British Transport Commission.

Mr. EDWARD MILNER HOLLAND, Q.C., C.B.E., Mr. LEON MACLAREN, and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr, Solicitor to the London County Council) appeared on behalf of the London County Council, Hampstead Borough Council and the Islington Borough Council.

Mr. B. J. MACKENNA, Q.C., and Mr. D. A. GRANT (instructed by Mr. Kenneth Goodacre, T.D.) appeared on behalf of the Middlesex County Council, Berks. County Council, Bucks. County Council, Hertford County Council and Surrey County Council.

Mr. DUDLEY COLLARD (instructed by Mr. E. R. Farr) appeared on behalf of the Barking Borough Council and the South Essex Traffic Advisory Committee.

Mr. LEON MACLAREN and Mr. GEOFFREY RIPPON, M.P. (instructed by Mr. Vernon Lawrence, O.B.E.) appeared on behalf of Anglesey, Cambridge, Cheshire, Cumberland, Denbigh, Dorset, Durham, Flint, Glamorgan, Hampshire, Isle of Ely, Isle of Wight, Lancs., Leicester, Merioneth, Monmouth, Norfolk, Northampton, Nottingham, Oxford, Soke of Peterborough, Somerset, Stafford, West Sussex, Worcester and Kent County Councils.

Mr. D. A. GRANT (instructed by Mr. R. Webster Storr) appeared on behalf of Beckenham Borough Council.

Mr. GEOFFREY RIPPON, M.P., and Mr. ROY CALVOCORESSI (instructed by Mr. G. E. Smith) appeared on behalf of West Ham County Borough Council, East Ham County Borough Council, Croydon County Borough Council, Walthamstow Borough Council and Wanstead and Woodford Borough Council.

Mr. S. H. NOAKES (instructed by Mr. N. P. Lester) appeared on behalf of Hastings Borough Council.

Mr. A. E. TELLING (instructed by Messrs. Radcliffes & Co.) appeared on behalf of the London Passengers' Association.

Mr. P. T. LEWIS (instructed by Messrs. Gaby Hardwicke & Co.) appeared on behalf of the Hastings, Bexhill & District Season Ticket Holders Association.

Mr. ARCHIBALD GLEN, Town Clerk, appeared on behalf of the Southend-on-Sea County Borough Council.

Mr. F. A. RULER, represented the Federation of Residents' Associations in the County of Kent.

Mr. D. J. D. WELLUM, represented the Benfleet & District Railway Travellers' Association.

Mr. JOHN MAGUIRE, F.C.I.S., represented the United Commercial Travellers' Association of Great Britain and Ireland.

Miss DOROTHY D. FORSTER, represented the Walthamstow Trades Council.

Mr. G. A. BAGNALL, represented the Herne Bay Urban District Council.

SIR REGINALD HOLMES WILSON, re-called.

Cross-examined by Mr. RIPPON.

(*President*): Mr. Rippon, you appear on behalf of West Ham County Borough Council, East Ham County Borough Council, Croydon County Borough Council, Walthamstow Borough Council and Wanstead and Woodford Borough Council?

1234. (*Mr. Rippon*): Yes, Sir. (*To the Witness*): Sir Reginald, I gather from your evidence that one of the main reasons why the Commission are putting forward this Scheme is because you need freedom to fix fares flexibly because of competition?—Partly to meet competition and partly to obtain a better use of the services as a whole.

1235. I simply put it to you that that was one of the main reasons?—It was one of the main reasons.

1236. I think you said except in London where the position, to use your own words, is "slightly different." You will find that at page 42 of the Second Day, in answer to Qs. 6 and 12. In answer to Q. 6 you said: "I thought I ought to try to show first that the freedom to fix and adjust fares flexibly and promptly to suit the local circumstances of service from place to place and from time to time" is absolutely essential?—"if British Railways are to be a sufficient"—I think that has been altered later to "an efficient"—and viable transport service." Yes, that is what I said.

1237. At Q. 12: "You mentioned competition; how strong a factor is that?", and you replied: "Outside the London Area it is almost decisive over a great part of the field. In the London Area, of course, there are slightly different considerations?"—Yes.

1238. By "slightly different", do you mean because it's a monopoly?—No. I mean "different" because there

is a monopoly, and perhaps the word "slightly" was put in to remind people that, after all, there is also the private car.

1239. You do refer occasionally in your evidence to London as being in some cases special, and you say that the monopoly factor has to be borne in mind?—I agree absolutely.

1240. But, of course, there is not a complete monopoly in London, because, as you say, passengers do find other means of transport?—Yes.

1241. The car, or the Mini-Motor, or, when pressed, the private bus?—Or, perhaps, even walking sometimes.

1242. It is a fact, is it not, that there has been a very severe fall in traffic on London Transport since 1958?—Well, the extent of the fall is to be seen from the figures. Whether you would qualify that as "severe", or "very severe", or "not so severe", I really would not like to say. Naturally, it is not a fall that we find it easy to cope with; but some fall was inevitable, and, indeed, was prophesied at these Inquiries eight or nine years ago, although we had the utmost difficulty in persuading the Objectors that this fall was likely to happen.

1243. I have used the phrase "very severe", but I might have said "calamitous"; but that is a matter of argument. To justify what I said, will you have a look at Table 11 in Volume 2 of the 1957 Report at pages 264 and 265. If we look, first of all, at page 264, to the figure of passenger journeys on London Transport road services in 1948, we find a figure of 3,955m.?—Yes.

1244. That has fallen, has it not, by 1957 to 3,159m.?—Yes.

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[Continued]

1245. A loss of 796m. passenger journeys in under a decade?—Yes; but you must relate that, of course, to the total number.

1246. It is a loss of about 20 per cent.?—Yes.

1247. A loss of one-fifth of your traffic?—Yes.

1248. I put it to you that it is very severe?—I am not going to quarrel about the adjective, but you have got to remember that travel in 1948 was about 30 per cent. below what it was before the War and you are gradually getting back to the pre-War position. Housing conditions are different, and many other things are different. 1948 was a base year which was quite exceptional.

1249. (Mr. Patrick Browne): Is it 30 per cent. more than pre-War?—I said 1948 was 20 to 30 per cent. above pre-War.

1250. (Mr. Rippon): Actually, you said below. There are also large numbers of people, are there not, who are travelling shorter journeys in order to save paying higher fares? There is a discount in every one of these Schemes for losses of traffic, and a discount for shorter journeys?—The calculations are based on that.

1251. If we look at passenger miles as an alternative test, we see the figure for 1948 of 9,052m., and that has fallen by 1957 to 7,175m.?—Yes.

1252. So, in terms of passenger miles, the loss of traffic is nearer to 25 than 20 per cent.?—Yes.

1253. And it is the same position, though not quite so serious, for London Transport Railways, is it not?—Yes.

1254. I think the figures there show a reduction from 720m. passenger journeys in 1948 to 666m. in 1957?—Yes.

1255. That is 7½ per cent.; but, in terms of passenger miles, you see a fall from 4,039m. to 3,332m.?—Yes.

1256. Which is nearer 15 per cent.?—Yes.

1257. Taking those two figures together, the fall in passenger journeys for London Transport road services and London Transport Railways, you have a fall of exactly 850m. passenger journeys a year. I put it to you that that is very severe?

(President): We shall not get very much further with the choice of adjective. We know arithmetically what the amount is and the percentage.

(The Witness): May I add that if Mr. Rippon is prepared to make a comparison between 1948 and 1957, he should also make a comparison between 1938 and 1948, and he might then use a different adjective. But I do not wish to quarrel about the adjective; the loss is of the order you have stated.

1258. (Mr. Rippon): To put it as fairly as I can, of course, that figure takes no account of the fall in 1958?—No.

1259. Which is, perhaps, an exceptional year, although I think you would agree that much of the traffic lost by the Bus Strike is not likely to be regained, but it is impossible to quantify it. Would you agree, assuming that most passengers make a double journey, that if you halve that figure of 850m. and then relate it to the number of days in the year, it means that London Transport have lost in under ten years over 1,000,000 passengers a day?—Do you wish me to work that out? You said the figure was what?

1260. 850m. passenger journeys a year, 796m. for road and 54m. for London Transport Railways?—That appears to add up to 850m.

1261. Assume that a considerable proportion of the passengers make a double journey and divide it by 2, and you get 425m. Relate that to the number of days in the year and I suggest to you it is not an unfair assumption that you have lost something like 1,000,000 passengers a day?—Yes; but there are still 15,000,000 passengers a day in London on a working day.

1262. 15,000,000 passenger journeys?—Yes.

1263. That is 7,500,000 passengers. I think you have just agreed with me that you have lost something like one-fifth of your traffic, and you contemplate, do you not, of course, a further loss as a result of implementing this Scheme, assuming that it is eventually approved—which I should like to think is doubtful?—Yes, the calculations contain a discount.

1264. In order to produce the £10½m. you hope to raise in London?—That I have never said.

1265. I will not go over the ground of Mr. Milner Holland's cross-examination on exactly what Mr. Harbour had to say about that, but his figures in "B.H. 15." show the position from the new charges if applied in full?—Yes.

1266. And on British Railways' London Lines, if you lost no passengers as a result of the fare increase, you would get £8,440,000?—Yes.

1267. Instead of that you contemplate getting only £4,630,000?—Yes.

1268. And as far as the total of the London Transport Executive is concerned, you expect to get £5,900,000 according to the tables, but I think the adjustment brought it down to £5,700,000?—Yes.

1269. The full gross yield would be £9,691,000?—Yes.

1270. Without going into the percentage loss of traffic in season tickets, to which my learned friend Mr. Milner Holland referred, I put it to you that if the gross yield is to be nearly £18m. if the new charges are applied in full, it is quite clear, is it not, that you contemplate a very severe loss of traffic with a discounted yield of only £10½m.?—We are back to where we were a few minutes ago.

1271. Do you feel that the loss of public good will that must inevitably result from applying fare increases on that scale can possibly be justified?—That was a point on which Mr. Milner Holland touched yesterday, but he did not ask me the question, and you have now asked it. The loss of public good will from raising fares is far less in this country than the loss of public good will you experience when you are working at a deficit. If you have courage, if you do the right thing at the right point of time, people may not like it, but if you do it properly and do it well they will afterwards accept it and you will have earned their respect; but if you trail off in miserable deficits year after year—which is what London Transport have been forced to do—you cannot expect the respect of the public in this country. Therefore I say it is essential, from the point of view of our public relations, that we shall get out of this miserable situation we have been in for far too long in which we have these yearly deficits. That is a fundamental point in public relations: We have got to get rid of this deficit.

1272. And that is the whole purpose of the Transport Borrowing Powers Bill and its predecessor?—I do not understand the question.

1273. Would you not accept that the public is prepared to accept these deficits on the basis of your future prospects, or your future prospects?—Every time there is a deficit, every time the deficit is referred to, there is a loss of public good will.

1274. Do you think that is more, or less, severe than the loss of public good will resulting from higher fares?—It is far more severe. Let us take the position of the Scottish Bus Group. In the affairs of the Scottish Bus Group we decide what is to be done, we take our courage in both hands and we do it, and the fares are raised. That is not popular, there is, if you like, a loss of good will, but it is only temporary, because we run the business properly, we keep services of a good quality going, people know we are running them pretty well, and, curiously enough, the fact that there is a profit seems to reassure them that they are being run well. You have not to take into account the attitude in the public's minds on these matters, and the good will of the Scottish Bus Group, if I may say so, is pretty good.

1275. Were their increases as severe as you contemplate in London?—We have always proposed those increases which are made necessary by circumstances, including, partly, depreciation of the currency and partly a fall in traffic.

1276. Now, perhaps, you would answer the question: Were they as severe as the increases you contemplate proposing in London?—The circumstances are different.

1277. Would you say that the loss of good will in London, as a result of higher fares being proposed year after year, is temporary or permanent?—That is another very interesting point and a very interesting question you have put to me. One of the real problems in London is, of course, that these Inquiries do go on year after year,

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[Continued]

and if we were given some sort of reserve they would not have to go on year after year, we could have a real "up-and-downer"; if I may use that phrase, say at three-yearly intervals instead of at yearly intervals. That would be a very great help to our public relations. At the present moment each time we have an Inquiry, which is every year, we get public relations worsened five times over: They are worsened when we say we are going to the Tribunal, they are worsened when we lodge the proposal with the Tribunal, they are worsened when the Inquiry is going on, they are worsened when the decision is given, and they are worsened when the fare is put up, and that happens five times every year.

1278. So it is hardly worth it?—It is something that has got to be done. I am very grateful to you for putting the question to me, because it cannot go on, we must have a margin. If a margin had been given there would not have been this deficit of £15m. to £20m. which was referred to yesterday as really not such a bad thing; people were almost proud of having a deficit of £15m. to £20m., with no reserves, some economies that, perhaps, are not altogether wise, certainly the services are not as good as they might otherwise have been, and, of course, no Victoria Tube. That is a consequence of not facing facts when you have to face facts. You stir up nothing but trouble for yourself in public relations unless you face the facts when they have to be faced. Let us take our dose of bad public relations at the beginning when we have to take it and do the right thing in the sphere of fares.

1279. There is going to be a severe "up-and-downer", as you call it, almost straightaway? "Take it at the beginning" means take it as soon as you possibly can get this authorisation?—We are in it now.

1280. That is what you contemplate, is it: A severe "up-and-downer", as you call it, as soon as this Inquiry has concluded, if you get the authorisation?—No. We have already had most of the bad public relations which are arising out of this Inquiry.

1281. I think you may be a little optimistic?—That may be, but we have got to face it. You must not think that we are not aware that coming here involves us in trouble with the public; we know that perfectly well; but it is our duty to do so.

1282. When you talk about a deficit of £15m. to £20m., you really mean Mr. James's figure of £15½m.?—No, I mean the figure of £15½m. plus something which we cannot quantify for London Lines.

1293. Of course, as far as earlier years are concerned, that is something of a notional deficit, because there was no figure of £5·4m. for Central Charges in the early years?—I am sorry, I do not follow the question.

1284. Mr. James's table PJ 14 is based on the assumption of a contribution to Central Charges of £5·4m. from the beginning of the period?—Yes.

1285. As far as the early years are concerned, that is, of course, just an assumption, up to the point when the Tribunal gave a decision?—You mean that after the Tribunal had decided that the Central Charges were £5·4m.—

1286. No, before?—But after the Tribunal had decided the figure was £5·4m.?

1287. From then it is a realistic figure; they suddenly became real. Before that the Central Charges were notional?—I assure you the Central Charges have been real right through and not notional at any time.

1288. So you do not agree with the evidence on that particular point. Quite apart from good will, which one may say is a matter of speculation, do you not also have to consider the increase in the number of empty seats?—Indeed.

1289. If you look again at Table 11 at page 264 of Volume 2 of the 1957 Report, you see that on London Transport road services in 1948 the number of passengers per car was 21, and by 1957 that had fallen to 19; and in respect of London Transport Railways the number of passengers per train had fallen from 130 to 102. I suggest to you that the loss of passengers, in so far as it results—as it evidently did—in an increased number of empty seats, represents the highest cost that you can impose on the Commission?—The highest cost you can impose on the Commission is having empty seats, I agree,

and one of the ways to get empty seats is to have a fares policy which is not related to the circumstances of the service.

1290. Is that what you have had?—because you have got empty seats?—I was going on to say that the fall in receipts is also due to the continued increase in the peaks. Of course, I ought to add that what the statistics do not show is the number of trains which are tabled and not running at all. Those seats are also empty although the trains are sitting in the depot, but, alas, the statistics do not reflect that.

1291. As far as empty seats are concerned, I think one thing that worries you is the loss of traffic from rail to road, and, indeed, from rail to air?—In London?

1292. In the country generally?—The British Transport Commission, you know, has interests in both road and rail. What does worry us is the failure to utilise each form of transport in the way which is most suitable.

1293. In your evidence what you were saying, as I understood it, was that you have to have flexibility and headroom because of increasing competition from road and air?

(President): Is not this a point which arises on British Railways outside London? Are you representing anybody who is concerned in that?

(Mr. Rippon): Incidentally I am, but I am not primarily cross-examining on behalf of them.

(President): I have been looking through your Objections.

(Mr. Rippon): Of course, in so far as the Local Authorities whom I represent have powers to build housing estates outside the area of their own Authority, then I, of course, may be interested over a very wide distance. I know the London County Council is contemplating building in Cheshire, and if they can do that I do not see why West Ham, East Ham and Croydon should not be able to do the same thing.

(The Witness): I hope that is not a suggestion that because the London County Council wants to build in Cheshire or Southampton, they are then going to make a very strong case with regard to the fares between those two points.

1294. (Mr. Rippon): That is, really, another issue, the matter of how far it is public policy to discourage relieving urban congestion by developing out-county estates?—Indeed, yes. If the London County Council, or the people you represent, wish to solve their problems in that way and would like to pay the transport undertaker to do that, that would be quite all right; but do not force the transport undertaker into a deficit as a result of the policy of putting new towns scores of miles away from London.

1295. So far as the Commission are concerned, they say that is not their problem?—We are governed by Acts of Parliament.

1296. Really, Sir Reginald, I am only putting myself, as I trust in order.

(Mr. Patrick Browne): You will remember that Section 81 of the 1947 Act only gives a Local Authority power to object in respect of persons within whose area we operate: "Any reference in this Part of this Act to any body representative of any class of persons using services or facilities shall, in relation to passenger transport services provided by the Commission, include a reference to any local authority within whose area any persons using those services are resident." I do not want to be technical about this, but I would have submitted that Mr. Rippon is not entitled to represent people who may live in Cheshire, even though they may be sent there by the West Ham Borough Council.

(President): I do not think Mr. Rippon is going to pursue this point.

(Mr. Rippon): No, but I would not let it pass, because I am representing those people who now live in East Ham, West Ham and Croydon, and who may hereafter wish to move out.

(President): Of course, if we are going to pursue that, you may say you are representing all the people who do not live now in West Ham, but who may come to West Ham in the future. That would cover the whole of the British Isles and the Commonwealth.

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[Continued]

(Mr. Rippon): That is equally valid, because we do not want any more people to come and live nearer their work, and many of them come from outside into those boroughs and might be induced to come back if you raise the fares.

(The Witness): We will certainly take into account what you have said in considering the future general policy.

1297. (Mr. Rippon): As happened before the War, when I think it is fair to say that London was built on the taper—I think that was the expression we used to hear very frequently in early inquiries?—The question might very well be put whether that has turned out to be a sound policy.

1298. For whom?—For anybody.

1299. You favour urban congestion?—I do not; that is my whole point.

1300. Then it is a sound policy to try and relieve it?—The urban congestion is caused because London has expanded in that way.

1301. You mean the traffic congestion, not the residential congestion?—Yes; I beg your pardon; I was talking about traffic congestion, that is all I am qualified to talk about.

1302. The point I really wanted to put to you when I started, before we got so interestingly diverted, was this: Does this worry you expressed about competition mean that you feel the vast investment programme which the Commission are planning may not be justified?—I am sorry, but I have been a little distracted.

1303. Does this evidence you have given showing the increasing competition which the Railways are facing mean that it is possible that your investment programme is too ambitious; that no matter what you do, you will not be able to get the traffic back, and, therefore, it is not worth the public financing you?—If we thought that, we really would not be putting public money into the Railways.

1304. I expected that answer. Of course, I think it has been made clear that you still stand by the appreciation of the future prospects which are set out in the White Paper on Proposals for the Railways, 1956, Command Paper 9880?—In general, yes.

1305. You hedged a bit when my friend Mr. MacLaren cross-examined you about that. I think you said then: "Things have changed a little since 1956"?—Certainly.

1306. And your expression is "in general". I do want you to look rather carefully at the exchange of correspondence between the Minister of Transport and Civil Aviation and the Chairman of the Transport Commission from September to October, 1958, presented to Parliament by the Minister of Transport and Civil Aviation by Command of Her Majesty in November, 1948, Command 585. Would you agree this is a very important document.

(President): Well, Mr. Rippon! All public documents are important.

1307. (Mr. Rippon): With respect, Sir, I would like to do it in my own way. (To the Witness): Would you agree that this is a very important document? Surely the answer is "Yes". Perhaps you do not attach much importance to it?—I was trying to work out a detailed category, but, you know, the most important are those which have printed on them "Secret and destroy unread"! I was trying to work out a kind of category to establish into which category it came.

1308. Of the class of public document, I suggest to you it is in the highest category?—Really, I am not going to say which Parliamentary papers are in one category and which are in another.

1309. Would it be fair to say that this is the British Transport Commission's case for going to the taxpayer and saying: "Our borrowing power should be increased"—and I think it is now £1,200m.—and our deficits carried until 1961-62"?—No. This is an explanation of what the position was in September, 1958. The case for capitalising interest charges during the period of reconstruction was set out in the White Paper of 1956.

1310. I accept what you say. This is a statement by way of exchange of correspondence between the Minister and the Chairman of the Transport Commission setting out the position as at September, 1958?—Yes.

1311. If you look at paragraph 33 on page 9, it says this: "First, the Commission want to state that nothing has happened to stultify the appreciation of the future prospects of the railways, as set out in the White Paper of 1956"?—Yes.

1312. Is it good enough, Sir Reginald, to say: "We stand by that in general"?—You were asking me about the White Paper, as far as I remember, the 1956 White Paper, and I said I stood by it in general. I will explain to you what I had in mind about that. You have the document in front of you, the 1956 White Paper? If you look at page 11, paragraph 3, you will find there quite important observations, some quite important reservations.

1313. Yes, very important?—Those still stand.

1314. Now, perhaps, we can come back, not to what you think it means, nor, indeed, to what you think the correspondence means, but to paragraph 33, which says this: "The Commission want to state that nothing has happened to stultify the appreciation of the future prospects of the railways, as set out in the White Paper of 1956"?—That is so.

1315. The future prospects?—Just so.

1316. Not in general, but categorically?—The future prospects categorically, provided it is not necessary to apply these reservations.

1317. The future prospects were based on certain assumptions which are set out in paragraph 3 of the 1956 White Paper?—They are assumptions in the nature of reservations, not assumptions made by us.

1318. Is there a conflict of opinion between you and the Chairman of the Transport Commission on this matter?—Not at all. I am explaining to you just why there is none. It might be thought that the position in 1958-59 demonstrates that something has happened to stultify the future prospects of the Railways, and I say that is not so, what has happened is something which we have reserved, and have still to reserve, against. May I put it in another way: Let us suppose that inflation continues—which Heaven forbid, but let us suppose for a moment that it does continue—and that the inflation is of the order of 10 per cent. every year, and that we are always behindhand one year in adjusting our charges to the changing levels of currency. In those circumstances, although the Railways may be doing a magnificent job, the labourer may very well be worthy of his hire, but he will not get it, he will be getting it in depreciated paper, and, therefore, his financial accounts will show a deficit. The financial accounts will not cross the line, but the job will have been done, but the labourer will not have been paid.

1319. We are entirely in agreement on this. Where there is inflation, assumption (A), that the Commission should be not prevented from adjusting their charges without delay at any time to cover increases in costs, comes into effect?—Yes.

(President): This 1958 White Paper contains in paragraph 2 a reference to the depreciation made in September, 1956, and explains why, according to the Chairman of the Commission, a different situation has arisen in November, 1958.

(Mr. Rippon): Certainly; it has nothing whatever to do with paragraph 3 of the 1956 White Paper.

(President): Has it not?

(Mr. Rippon): No, with respect.

(President): Would you read the first sentence of paragraph 2 of the 1958 White Paper?

1320. (Mr. Rippon): If you please, Sir. It says: "The forecasts given in the White Paper of October, 1956, were expressly based upon certain assumptions which are set out in paragraph 3 of the Commission's memorandum to you of September, 1956, and reproduced on page 11 of the White Paper. This stated that 'throughout the review and in estimating the future margin between revenue and expenditure the Commission have, of necessity, framed their forecasts on the basis of the present value of money and a continuance of current economic conditions'. The Commission have done their utmost to meet increases in costs and foreseeable declines in revenues, and thus keep within the limits of their financial plan. The serious drop

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[Continued]

in activity, particularly in heavy industry, in recent months has, however, caused a precipitous fall in the revenues of British Railways quite beyond anything envisaged when the Commission submitted their memorandum embodied in the White Paper of 1956. This is exemplified in Appendices 'B' and 'C' to this letter". (*To the Witness*): I do not think there is any dispute about that; that is the reason why in effect you need an extension of borrowing powers, in order to speed up the modernisation and to continue to carry the deficit?—Yes.

1321. (*Mr. Rippon*): I apologise, Sir; in fact I was looking at paragraph 2 of the Minister's answer. (*To the Witness*): He said there, did he not: "Passenger receipts are good, but freight receipts have been badly hit in recent months by an unexpected fall in bulk traffics due to conditions in the coal and steel industries". What I am really putting to you is that apart from the inflationary increase in costs, which would justify an increase in fares, which I suggest could be done at any time under the expedited procedure, the loss of freight receipts and the loss of traffic in 1958, and the things that happened in 1958 affecting traffic, do not affect the future prospects as set out in the White Paper of 1956?—No, I do not think so, because the size of the system is not fixed, and the size of the system is related to the work to be done and—

1322. Do you agree with the Chairman, when he said: "First, the Commission want to state that nothing has happened to stultify the appreciation of the future prospects of the railways, as set out in the White Paper of 1956"?—Yes.

1323. Are you suggesting that anything has happened since September to change that forecast?—No; I still think that the technical modernisation of the railways, allowing for the very important other things that I have mentioned, will allow an improvement in due course.

1324. Technical modernisation is the main change, is it not?—It is no use technically modernising the railways if the other factors are not taken into account.

1325. It is no good doing that if at the same time you drive your traffic off?—Some traffic ought to be driven off, because it makes losses, but I do not want to generalise on that point.

1326. Naturally. Is the position generally as set out in the 1956 White Paper, and particularly the figures on page 29?—As you know, there is a re-appraisal going on; the Minister has asked for a re-appraisal, and I must ask you to excuse me from anticipating the results of that re-appraisal.

1327. But, broadly speaking, it is fair to say, is it not, that the ultimate revenue prospects are very satisfactory, depending mainly on modernisation?—I thought I answered that question a minute or two ago. I have said that you cannot divorce these things from each other; you cannot divorce the physical from the mental and from the spiritual. It is not just a question of technical modernisation; you have to have technical modernisation, but there are many other changes which have to come as well, and they are coming.

1328. So the phrase in the White Paper has to be slightly modified by "but". Do you still accept the views expressed in paragraph 97 of the 1956 White Paper, which states: "These prospects for the future must be compared with the immediate outlook. It is clear from what has been said in this paper that for the next few years, the period of reconstruction and development, the revenues of the Commission are not likely to cover the interest charges in full"?—Yes, that is still my view.

1329. There is no question there of building up reserves?—No, not taking British Railways as a whole.

1330. Yes, but this is a reference to the British Transport Commission, and any notional reserves of London Transport, of course, go to the British Transport Commission?—The cash does, but the account can be built up.

1331. But the cash goes?—Yes, but it can be drawn back.

1332. From the deficit?—No, from the till. You really must not muddle up the accounts with the amount of cash there is in the till.

1333. It goes on to say: "For this there are two main reasons: (a) In the early stages the rising yield from

modernisation will lag some years behind the increased interest charges on the capital works set in train. The sowing must be in advance of the reaping"?—Yes.

1334. Is that not the position we really face in considering the costs of the British Transport Commission, namely that we have to accept these deficits for some years, and even increased deficits, because in the long run we shall derive great benefit from the capital expenditure programme?—We have to be careful about this, Mr. Rippon. The deficits must not exceed a reasonable sum, and modernisation is more complete in some parts of the country than it is in others. If we are dealing with the London area and not with the finances of the British Transport Commission as a whole, you will find that the amount of modernisation to be done in London is small, perhaps, in relation to what is being done outside, and in any case London is not asked to pay more than the costs attributable to carrying the London passenger.

1335. The Londoner is just going to be asked to pay higher fares than anybody else?—He is paying lower fares on the average than anybody else; it is 1-33d. per passenger mile in London, and outside London it is 1-51d. per passenger mile.

1336. Then you go on to say in paragraph 97(b): "It will be two or three years before the results of the other measures now in progress can produce a really substantial effect on the present running rate of deficit"?—Yes.

1337. So that we have to wait at least two or three years before we can hope to expect these deficits to be substantially reduced?—

(*President*): We have waited, Mr. Rippon; those words were written in 1956.

1338. (*Mr. Rippon*): The 1958 correspondence says that we are still having regard to that. (*To the Witness*): Is that right?—That all shows how necessary it is to do something; we cannot go on waiting indefinitely.

1339. And the date we had in mind in 1956 was 1961 or 1962?—Yes.

1340. And I think the position now is that it is accepted that that might be extended?—I have already suggested that I would like to be excused from anticipating the outcome of the re-appraisal which is going on.

1341. And paragraph 98—and this is another reason why we have to be patient in these matters—says: "A commercial concern faced with a similar situation, being financed by equity capital, would probably ask its shareholders to forgo remuneration of their capital during the period of reconstruction. If the shareholders were satisfied that the undertaking was fundamentally sound and that the future revenue prospects were sufficiently good, they would be likely to agree"?—Yes. That is why, in speaking of British Railways services as a whole yesterday I made a distinction between the working deficit and the deficit due to interest charges.

1342. But the public, feeling that the concern is fundamentally sound and that future prospects are good, are willing to carry the capital investment programme for a number of years and the deficits with it?—You are tempting me into an answer that I must not give!

1343. What answer would you like to give, distinct from the one that you really mean?—It would have been a truthful answer.

1344. But you do not want to answer; you do not want to answer that question?—No; it would be just simple rudeness.

1345. Not simple. I am sure—rather abrupt, to the point and probably forceful.

(*President*): We should all be willing to carry a deficit for a number of years if somebody else is going to clear it off in the end, Mr. Rippon; I should myself.

1346. (*Mr. Rippon*): That is in fact what we are happily agreeing to do; we hope it will be cleared off by modernisation and savings, rather than higher fares, which might result in loss of goodwill permanently?—I am telling you that if you continue to sell passenger travel at only twice the pre-war fare when it is costing more than three times the pre-war cost, you are unlikely ever to reach the happy state which you are envisaging a few years from now.

1347. Of course, this was another matter which was dealt with in the 1956 White Paper at paragraph 85, which

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has already been referred to: "But British Railways are faced with sharp competition over a considerable part of their passenger and freight traffics. Moreover, public opinion would be particularly resentful of any heavy increases at this time. In the long run the immediate gain of revenue would probably be purchased at the expense of a substantial contraction in the traffics offered to the Commission. In other words, any attempt to impose large increases in their fares or charges in the near future would, so far as can be estimated at present, damage the Commission's business temporarily for certain, and possibly permanently."—Yes.

1348. As a general statement of principle, would you still stand by that, subject to the reservations which are admittedly included in it?—Yes, but they are very important. This was written at the beginning of 1956; you will remember that there was a great deal of talk at that particular time about stabilisation, and it was hoped that if everyone exercised restraint, stabilisation would be an accomplished fact in a few months' time. That is what that paragraph is referring to.

1349. You keep on saying that the position has changed so much since 1956; what I am putting to you is that it is implicit in the correspondence in 1958 that you do not wish to modify those principles as set out in the White Paper of 1956. Is that not really the position, that the whole purpose of the correspondence in 1958 is to indicate that there has been no fundamental change since 1956 so as to cause you to modify your views on charging, except in relation to this assumption about increases in costs due to inflation which you would have to meet, and meet quickly?—To modify our views on the eventual liability of British Railways. It does not follow that we would write paragraph 85 in the same way; it is not a statement of principle, but of conditions at the time.

1350. But this is very important; what I am putting to you is that the public has not that impression at all?—What impression?

1351. The impression that the situation has changed since 1956 and that you would write paragraph 85 differently if you were writing it to-day?—Then why have we come here with a request for an increase in fares in the London Transport Area?

1352. That is what we do not know; we think it is unjustified if you still stand by what you said in paragraph 85 of the 1956 White Paper, and what I am putting to you is that the public—and incidentally I believe Parliament—believes that you do still stand by paragraph 85. I am trying to establish now the validity of what you say in the 1956 White Paper, and as I understand your answers to my questions, you are saying that you would now re-write paragraph 85 and some other parts; is that right?—Certainly. If you are suggesting that because we wrote paragraph 85 in 1956 we should not come forward and ask for a fares increase in 1958—

1353. I have not said that?—?—when conditions are entirely changed, I do not agree.

1354. I did not say that; what I am asking you is whether you think the public realise that you do not stand by paragraph 85?—Certainly; I understand that.

1355. Would you look at *Hansard* for the 11th December, 1958. This is the Minister of Transport telling Parliament why they should approve the Transport (Borrowing Powers) Bill—

(President): What column is this, Mr. Rippon?

(Mr. Rippon): It is column 517, Sir. (To the Witness): It says this: "In 1956, it seemed right that the position should be looked at again and that the Commission should come forward with a prospectus to show how it would act in the changed circumstances. It will be familiar to the House that this was the basis of the 1956 White Paper, Cmd. 9880, and I will quote only two very short sentences because they are both important to our discussion—that is our discussion in September, 1958—"These are the words: 'In the long run the immediate gain of revenue'—that was, from fares and freight charges increases—would probably be purchased at the expense of a substantial contraction in the traffics offered to the Commission". The White Paper goes on to say that large increases in fares or charges might damage the Commission's business, certainly temporarily and possibly permanently. That was the view in 1956. It said: 'The ultimate revenue prospects . . . Will depend mainly upon

modernisation'. There has always been the difficulty of modernising quickly enough without increasing charges, which would gradually drive business away from the railways for good". So we are still talking, are we not, in terms of the general principles in the 1956 White Paper, subject to the assumption of increases due to increased costs; that is subject to your having the right to bring forward a scheme which is a financial scheme—

(President): You mean, the Minister is talking, do you not, Mr. Rippon; you said: "We are still talking", but you mean, having read from *Hansard*, that the Minister is still talking.

(Mr. Rippon): The Minister is still under that impression. (To the Witness): Do you mean that the Minister has got hold of the wrong end of the stick, if I may put it in that way—

(President): Well, well; you do not want Sir Reginald to be sent to the Tower, do you?

(Mr. Rippon): I would not mind, Sir!

(The Witness): The Minister is referring to one particular aspect which was in his mind at the moment; I really do not think you could take that as evidence if you were discussing the problem with him *in toto*.

1356. (Mr. Rippon): What you mean is that if the Minister is relying on the language of the 1956 White Paper, he is not talking the present language of the British Transport Commission?—I can only suggest, Mr. Rippon, that you take an opportunity to put that question to the Minister.

1357. Then you will tell me what you think; we shall have another set of correspondence perhaps?—I have told you what I think.

1358. And it is different from that; you would re-write the document?—Well, we have been talking very largely about British Railways, but the fact is that the traffics of British Railways for the London Area, with which I thought you were concerned, have been increasing. As we have been talking so much about the 1956 White Paper, I would like to refer to paragraph 90, to the second half of that; you will see what the position was then, and what it still is in fact. It is on page 27, in the second half of the paragraph.

1359. Yes, we will come to that; we can wait for that?—No; I should like to take it now.

1360. You must wait; I will put that to you in a minute. I would like you to look—it is more convenient—at column 518 in *Hansard* of the 11th December, at the bottom of the page, where the Minister says: "The House is being asked to advance large sums of money on a prospectus by the Commission that modernisation will pay off. On the passenger side, it is practising what it promised; it has been performed and come to pass". That is what you are saying; passenger traffic is improving?—Yes.

1361. Largely as a result of the sort of modernisation schemes to which the Minister refers in the earlier part of that column?—Yes.

1362. Of course, as far as London Transport is concerned, you do put the case in a slightly different way in paragraphs 90 and 91 of the 1956 White Paper. In paragraph 92 you say: "The Commission have recently made certain local adjustments to fares in London. While they will always endeavour to keep fares in the London Area as low as possible, current costs must in future be met by the current level of fares"?—Yes.

1363. So you were thinking that in London—it might not be exactly the same outside—"current costs must in future be met by the current level of fares"?—Yes.

1364. Did you envisage then, included in current costs, extra provision for depreciation, and in particular the provision of a general reserve?—Yes.

1365. Why did you not make it a little clearer? Is it not fair to say that in this White Paper, when you talk of costs, as you do in paragraph 3a, you were speaking of increases in costs due to inflation; you use the word "costs" in the sense of increase in working expenses?—Yes.

1366. And when you draw attention, in paragraph 90, to the accumulated deficit attributable to London Transport, are you not saying in effect that the deficit is such

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that whatever may be the position in the rest of the country, while we are awaiting modernisation, in London current costs must be met by the current level in fares?—Yes.

1367. And do you mean by "current costs" the working expenses plus some appropriate provision for depreciation, however you may decide it should be calculated?—Plus interest.

1368. Plus the contribution to Central Charges?—Indeed, yes.

1369. Because you carry all the interest charges for the whole of the undertaking?—Yes.

1370. You were not thinking in terms of providing a general reserve for London, were you?—When we wrote the 1956 White Paper?

1371. Yes?—I really do not know. The Paper is mainly about the railways; these paragraphs about London Transport are just to remind people that the London Transport case is different, and we have, as you know—

1372. And you have particularly reminded me to have a look at that?—Yes, and we have on previous occasions asked the Tribunal for contributions towards the general reserve, so I have no reason to believe that we had anything more in mind than obtaining from London what the Tribunal thought fit.

(Mr. Patrick Browne): You stopped Sir Reginald reading the last part of it; you have not read the last part of paragraph 90.

1373. (Mr. Rippon): "Unlike British Railways, London Transport offers no real prospect of financial improvement except by increasing fares". (To the Witness): You do not really attach much hope to any modernisation in London?—There will be modernisation in London, but modernisation is very expensive. If we spend between £20m. and £30m. on the London, Tilbury and Southend Line, it will cost quite a lot of money in interest and—

1374. But you are still canvassing for proposals of modernisation which affect London Transport?—It is going on all the time.

1375. And do you suggest there is a real prospect of financial improvement as a result of improving services?—It will be going on all the time, but there will not be the same startling results that will be obtained on British Railways.

1376. And that is why it is not right to allow London Transport to carry a deficit on current expenses of the same order as might be reasonable in the rest of the undertaking?—That is one reason, yes.

1377. That is not necessarily the same thing as saying that London Transport ought, in present circumstances, to build up a general reserve which will go, or the cash will go, to the British Transport Commission?—I suggest that it is sound policy and that it is in the ultimate interest of the travellers, to allow reserves of this kind to be built up.

1378. Referring to the figures again on page 29, I think you say—?—Page 29 of what?

1379. Page 29 of the 1956 White Paper: "The second item refers to improved contributions from activities other than British Railways" and you will see there an increase of £5m. Can you say what proportion of that is expected to come from London Transport?—I do not remember if London Transport were working in deficit at that particular time, but as far as I remember, it was not concerned very much with that figure of £5m.; it was spread over all the activities of the Commission—docks, canals, road haulage, commercial advertising, hotels in particular, and so forth.

1380. And you do not contemplate London doing much more than paying its way in relation to current costs?—Depending upon how you define "current costs".

1381. Incidentally, I wonder if you could give me the exact figure for the deficit in 1958?—I do not know the exact figure.

1382. I think Mr. Winchester, at Question 151, spoke of a deficit of the order of £85m. That was in November; have you a recent figure?—I am afraid not.

1383. But there is no reason to suppose that £85m. is not the correct figure?—?—Plus or minus £5m., I would say.

1384. There are just two other extracts which I may perhaps put to you from Hansard, particularly of the 21st January, 1959—?—I see that I shall have to have Hansard as my staple reading in future!

1385. That is a very good idea, Sir Reginald; you might know what the railways are supposed to be doing! In column 362 it says: "... it was foreseen when we introduced the original Transport (Borrowing Powers) Act that to look ahead for a number of years was something which would give flexibility to the terminal date and to the terms of repayment. Perhaps the House has forgotten that the terms of repayment were left in a flexible state. The amount of repayment up to the seventh year was a matter left to the Commission, with power to make a token repayment if it was thought that that was all it could do, and at the end of the seventh year, after the initial repayment at the Commissions discretion, the matter was left with the Ministry and the Treasury to decide". Then there was an intervention by Mr. Ernest Davies: "The right hon. Gentleman says that the Commission had to make a token repayment up to the seventh year. Is that correct?" and Mr. Harold Watkinson says: "Yes; and this whole question of repayments was deliberately left in a flexible way in the sense that the matter could be looked at in the light of developing circumstances. There was never any attempt to lay down an arbitrary system of repayment. The date 1961-62 was not selected by the Government". Was that, so far as you know, a correct statement of the position?—Yes, I think so.

1386. What it means, does it not, is that if you face unforeseen difficulties due not to increases in cost, but to a bus strike in London or to a falling-off of freight traffic in a particular area, you are not even held to the 1961-62 date for breaking even?—We are not held to the 1961-62 date, no; but that does not mean that we want to enter upon the broad and easy path of destruction.

1387. You can say "the broad and easy path of destruction"; in column 363 this is said: "... as most hon. Members know, the gain which oil had over coal was after the price of coal had been raised to a high level, which made oil more attractive. Perhaps there is a lesson there for the railways. With the coming of the motor car and intense competition, one can price oneself out of the market only too easily to-day"—I agree.

1388. I suggest to you that that is the "broad and easy path to destruction"?—No, because we know what we are doing. We are not likely to price ourselves out of the market.

1389. You do not call driving 400 million passengers a year off London Lines pricing yourself out the market—

(Mr. Patrick Browne): Did you say "London Lines"?

1390. (Mr. Rippon): London Transport, railways and roads?—No; we are pricing ourselves into a remunerative market.

1391. Now I want to refer to one other extract, this time from column 364: "... but on the general issue whether the Commission is becoming overburdened, although I do not entirely accept his view that it is bankrupt, it is certainly in the hands of its bankers, meaning the Government. But this is a business with a £750m. turn-over a year. Therefore, it should not be alarming to us if we find ourselves talking in rather big figures when we discuss its present and future". Is it not fair to say that we should not become unduly alarmed by the high deficits that you are carrying at the present time?—I am exceedingly alarmed by the high deficits being carried at this time, and so is the Minister. What he has invited the House to do, I imagine—although it is certainly not for me to speak for the Minister—is not to panic; that is probably what he was asking the House not to do.

1392. When you talk about these deficits being so large, one has to bear in mind the very large turnover of the Commission, and its future prospects—I am not going to follow you round that path, I am afraid. I regard these deficits as exceedingly serious, and they are going to put us into a very serious position unless they are dealt with, and we are going to do our best to deal with them; but I can assure you at the same time that we shall not be so stupid as to price ourselves out of traffic that can be made remunerative.

(President): How far has this Borrowing Powers Bill got, Mr. Rippon?

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(Mr. Rippon): It has not received the Royal Assent yet, Sir.

(President): Has it passed through the Commons—but perhaps you do not know?

1393 Mr. Rippon: I think it is at the Report stage; however, no doubt if it was felt that it was a false prospectus, there would be time to stop it. They seemed to talk mostly about the bad service they receive. (To the Witness): May I just refer to one other passage in "Hansard" of the 21st January, at column 363, and then I will leave it altogether. At the time it was referring to the improvement in passenger receipts in the latter part of 1958, against the corresponding periods of 1957, and it says: "... the figures are, for example, for the four weeks to 7th September, 1958, 5 million up on the previous year, for the four weeks ending 5th October 6 million, for the four weeks to 2nd November 3 million, and then 1 million up for the four weeks ending 30th November, and 1.8 million up for the four weeks up to 28th December"—I think that ought to be 0.18 million. Then: "In other words, on the passenger side, where modernisation has had its first impact, there is a definite and ascertainable improvement". Would you not say that that tends to indicate that if you are patient and do not raise fares prematurely, you will get the improvement in your revenues from increased passenger receipts as things stand at the present time?—We shall certainly get some improvement, I hope.

1394. And it is implicit, is it not, in all that you are doing at the present time, that the main attack on your deficit is by more modernisation and by more savings?—I answered that question before when I said that you really cannot separate these various factors; you have to take them together. Each one of these factors is essential.

1395. Yes. Obviously the Minister is mistaken about a lot of this, but I was looking at what he had to say in the Debate of the 11th December, 1958, column 524: "The Commission is, therefore, going on, with the Government's full support, on two lines of attack: first, more modernisation, on a narrower front, but still more modernisation; and, secondly, more savings on a much broader front." He summarises his argument in column 527, in the middle of the column: "I am seeking the authority of the House for the Bill on two clear understandings: first, that early in the spring of 1959, we shall have a complete reassessment of modernisation; secondly, that the Commission is forthwith putting in hand measures such as will contain the 1959 deficit within reasonable proportions, which will be in line with the original plan presented to the Government in 1956. That is to be done as I have said: more modernisation more quickly, more savings more quickly. There is no idea of asking for any kind of blank cheque. I know that the Commission accepts these necessary disciplines as the discipline which falls on any industry which happens to be in the hands of its bankers, and that is the position of the Commission with the Government as its bankers". Is it the position that there are "two clear understandings"?—About what?

1396. First, that early in the spring of 1959 we shall have a complete reassessment of modernisation?—That is being prepared.

1397. That was the matter about which Mr. MacLaren asked you the same question yesterday; I think it is in relation to paragraph 35 of the Exchange of Correspondence, page 10: "... the Commission are now preparing a programme of rationalisation for 1959"—is that the same?—Yes—

1398. It is something different, is it not?—It is approximately the same, I suspect.

1399. But in paragraph 35 it is stated quite categorically that the Commission are now preparing a programme of rationalisation for 1959; ought that to be a complete reassessment of modernisation, or does it mean what it says?—I do not think that is quite the same thing as the Minister was referring to when he referred to a complete reassessment of modernisation. That is the beginnings of it; in a sense it is part of it.

1400. When the White Paper refers to a programme of rationalisation for 1959, is it referring there simply to further reductions in costs as it is headed—although I gather you do not much like the words—and in particular an increase of savings for 1959?—It means the rationalisation of the operating of the railways, which of course includes various factors.

1401. That is to reach the target, or to indicate how it might be possible to reach the target, of £20m.?—Yes.

1402. Which is now the target of £30m.; I think we are agreed about that?—I do not think we are.

1403. Well, this is the statement of the Minister to which Mr. MacLaren referred in column 526 of "Hansard" of the 11th December—

(Mr. Patrick Browne): He said that the Minister had asked the Commission; he did not say that the Commission agreed.

1404. (Mr. Rippon): "It is a great job which is being done by the Commission in carrying out its undertakings for this year to make these difficult and painful economies. With this in mind, I have discussed with Sir Brian Robertson the target of additional savings which the Commission must set for 1959. I have asked him to raise this from the £20m. which he mentioned in his letter of 29th September to a target of at least £30m. in a full year. I know that it will be very difficult, but I am confident that it is possible of achievement". (To the Witness): Are you saying that the Minister may have mentioned this to the Commission, but that it has not been accepted by the Commission as a target?—I am saying that the whole position is being reconsidered. We have not fixed any budgets for 1959, as I was explaining yesterday afternoon.

1405. You have not any budgets?—We have no fixed budgets.

1406. So if it is said that it is the main feature of the budget for 1959 which will be presented at the end of the year, the answer is that it has not been done?—As far as I remember, the Minister has already had information relating to what rationalisation might be expected in 1959.

1407. Does that relate to a target of £20m. or £30m.?—I do not remember that it was related to any target as such. It certainly was not related to £30m.; it may have been a suggestion of what was actually possible, but whether it was quantified, I do not remember.

1408. Is it possible to give that information to the Tribunal, if you were capable of giving it to the Minister?—I do not think so; it was a discussion of all kinds of difficulties.

1409. It was referred to as a "programme"?—Yes, and as I said yesterday, it was more of a policy.

1410. Have you the authority of the Chairman of the Commission to alter the words of the correspondence?—I am putting it as a perfectly reasonable interpretation of the words.

1411. So when the Chairman says "programme", he really means "policy"?—Policy or plan.

1412. And when he talks about further reductions of costs, he is really using a rather misleading phrase?—I am not going to agree to that.

1413. I think it follows from what you said to Mr. MacLaren?—It follows if you insist upon putting a particular interpretation on the word "programme".

1414. What interpretation do you put upon it; what do you mean by "programme"?—A programme is a series of steps which you intend to take. Those steps may be steps in policy, or steps such as: "I'll put on a blue tie tomorrow morning". They are totally different kinds of steps.

1415. Yes, and you put them down on a piece of paper?—Yes.

1416. And you have given that piece of paper to the Minister?—That I could not say.

1417. So whether or not you have fulfilled that undertaking about presenting it at the end of the year, we do not know; could you find out whether you have a programme of rationalisation, and if you have, can you think of any good reason why those facts or statements which it contains should not be presented at this Inquiry?—If you mean that I should look to see a statement of the policy that we intend to pursue in 1959, I suppose that could be produced.

1418. And you will do that, so that we can judge how far in considering the financial position of the Commission, we can take into account the "more savings"?—It will not help you on that point at all.

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1419. Perhaps we can see if it is of any use at all, as something indicating what this correspondence really means?—I am not really making any promises on that point; it may well have been taken in discussion with the Minister.

(*Mr. Patrick Browne*): We cannot discuss correspondence between us and the Minister without his permission.

1420. (*Mr. Rippon*) (*To the Witness*): Perhaps you could find out whether you can get the Minister's permission, and tell us what savings you contemplate in 1959?—I have already told you what our aims and objectives are.

(*Mr. Patrick Browne*): Perhaps you would refer to the terms of reference of the re-examination of the modernisation programme; they are set out in HANSARD.

1421. (*Mr. Rippon*): That may be, but it does not come at the end of the year, because you are going to have a go on the basis of the £30m. instead of the £20m.; is that right?—No.

1422. Perhaps I had better read it, as my learned friend has referred to it. It is in column 523 of HANSARD of the 11th December, 1958, the final two paragraphs: "Perhaps I may just deal with the terms of reference of the Inquiry. They are three in number. The first is an account of the achievements under the modernisation plan to the end of 1958, and of the benefits obtained. The second is a detailed re-examination of the future course of the modernisation plan, with particular reference to the next five years, related to the future size of the railway system that will be needed in view of current economic developments and future expected requirements. The third is a re-appraisal of the economics of modernisation in the light of the second term of reference, and the steps necessary to achieve the earliest possible break-even date based on an up-to-date assessment of future traffic, costs and economics". You say that is now going on?—Yes.

1423. And you will see how much of that information you can properly present at this Inquiry, without giving any undertaking—

(*President*): I do not think it is possible to ask the Commission to do more for us, so to speak, a half-way house in a report which is being prepared for the Minister.

(*Mr. Rippon*): Presumably if they are preparing a report for the Minister, they are now engaged in making some up-to-date assessment of their costs and economies and the progress of the modernisation programme. In my submission it must be relevant to this Inquiry to know what the position is; the whole of the objection, as I apprehend it, is that there is no need for an increase in fares, and if for a short time in London, but longer outside you can achieve—

(*President*): I provoked you into making a speech, *Mr. Rippon*. At the moment my disposition is to say that we shall not order the Commission to produce the documents which are in course of being prepared in order to assist the Inquiry which the Minister has asked should be carried out.

(*Mr. Rippon*): With respect, Sir, I was not suggesting that that should be done. I was only asking Sir Reginald if he could make available all the information on future traffic costs and economies that he could properly make available. In my submission the mere fact that the Commission are making representations to the Minister does not freeze this Inquiry; we are still entitled to have all the information that is available. It is obvious that there is some—

(*President*): I have provoked you, or led you, into making speeches; I have told you what my view of this matter is at the moment. Now will you go on asking questions.

1424. (*Mr. Rippon*): I apologise for being diverted, Sir. I saw in the "Star" newspaper yesterday a reference to a final speech lasting for 30 days; if you really do not think that questions of economies, costs and future trends were relevant, I would be tempted to emulate that in due course. (*To the Witness*): Perhaps at any rate you can help us to form some assessment of the reduction in costs which will follow upon technical modernisation; I think that is a matter with which you have dealt recently in a speech on that subject to the National Conference of the British Institute of Management. You said: "What, in

essence, is a railway? It is merely a specialised road. Guiding rails ensure that a couple of score vehicles can be hauled together at one operation, disciplined as to both track and speed. Because the flow of vehicles is exactly controlled the railway can be highly mechanised, and because it can be highly mechanised it is potentially the cheapest mass-producer of transport facilities". I think you looked forward to a time when in this country, given reasonable conditions, two men could move in one train as much as 25,000 ton miles of heavy freight every hour?—I think I said that they were already moving that amount.

1425. They can do it now?—Yes.

1426. And you are going to improve upon that very considerably as a result of your modernisation programme?—I did not say that. I said that we might get far more of that kind of operation going, but the conditions in this country are not comparable with the conditions in America.

1427. I think you have indicated that present costs per wagon mile of freight vary between specially favourable conditions, when it might be 20d. per mile, up to 50d. per mile in comparatively adverse conditions? You have not read the reservations which are attached to the diagram it is said that these are merely illustrations and it says: "The costs per wagon mile are for long distance transits and are not valid in other circumstances", and: "The ultimate cost per ton in a particular case is governed by the loading of the wagon, the train, the route and many other factors".

1428. Yes; there is a variation between 20d. per wagon mile and 50d. per wagon mile in round figures, at the present time?—It is possible to find a transit of 20d. per wagon mile—

1429. But I presume you asked the Institute of Management to attach some importance to what you were saying and to the validity of your illustration?—What do you mean by that question, *Mr. Rippon*?

1430. You were suggesting that this was broadly representative of present costs, as an example?—Let us see what the text says. If I had known that I was going to be cross-examined on this, I should have prepared myself, but let us see what it says. I was only told this morning.

1431. I told you myself yesterday—

(*President*): *Mr. Rippon*, are we going to embark upon a rehearsing of the Freight Inquiry? What does that matter to us; how can these figures help us in this Inquiry?

(*Mr. Rippon*): With respect, Sir, they do tend to illustrate the point that the only way in which the Commission can effectively deal with its deficits is by concentrating on more modernisation and more savings. I have only quoted some of what Sir Reginald Wilson said in this paper; it goes on to say that as a result of reductions in costs, modernisation may be very substantial indeed.

(*The Witness*): As you have raised the point, *Mr. Rippon*, may I suggest to you that this paper says quite the reverse. Under the heading of "Charging Policy" I say: "I come, then, to the vital matter of charging policy on the railways", and I say right at the beginning that it is no use having a modernised railway system unless you have your charging policy right. Then, to return to the previous point, I would refer you to the bottom of the page—not that this will help this present Inquiry very much, Sir, but I must be allowed to rebut that suggestion, and you will see that in these columns I refer to "not untypical wagon-mile costs"; that does not mean that it is the sum total of the range. Indeed, the next sentence says: "The range of cost, you will observe, is from 50 pence in the first case down to 20 pence in the second, and the incidence of empty mileage or part-empty wagon space could expand still further the final range of cost per ton of merchandise carried". Naturally, I had hoped, if I may say so, that people would pay some regard to this paper and that they would understand more about railway freight economics when they had done so—always provided, of course, that they had read the paper.

1432. (*Mr. Rippon*): And then it goes on to say: "The third column of the Diagram illustrates how the railway cost is likely to appear in future. It is no longer so important to have two columns, since the extremes of range are no longer so great. The future cost in reasonable conditions is there shown at only 15 pence, door

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[Continued]

to door, notwithstanding an improvement in wagon capacity to 16 tons". I agree that it is only an illustration, but is not the point of the paper to show that this sort of reduction in costs is by no means visionary?—Indeed, the whole point of the paper is to show that you can make vast technical improvements on the railways, and I then go on to devote the major half of the paper to show how absolutely essential it is that nevertheless you must have the proper charging policy applied to that technically modernised system. In a sense I almost say in the paper that of the two the more important is the charging policy, because that brings me back to what I was saying yesterday about the load factor. The load factor has to be improved and one of the ways of doing that, as I say, is to apply the instrument of price policy coupled with service.

1433. I do not want to misrepresent what you said; it is a technical paper and one does not perhaps give the whole of a rather long extract. All I was trying to put to you was that on that sort of evidence and the other evidence you gave in the paper we can expect startling reductions in costs as a result of the modernisation programme?—If we have a proper charging policy.

1434. I will come to that. I think you even say that it is whispered that much of the tube traffic in London could be made entirely automatic if the public will accept such a situation?—I was unwise enough to put that in, it is true.

1435. Is it something that could be done?—I do not think London Transport would agree with doing it.

1436. What I would suggest is that that is an alternative way to raising fares, to improve the financial position of London Transport?—You mean running the whole of London Transport on an automatic basis?

1437. Yes, as long as it runs—as long as people do not find the train stopping, so that they have to get out. You say on page 8, in relation to railway passengers in London: "Of the railway passengers in London, some two million of them every day, only a fraction could in practice transfer themselves to the road". I think earlier you spoke about 15 million passengers; is that 13 million on the buses and two million on the railways?—There are three groups, London (Road), London Railways and London Lines.

1438. In practice, of course, as many of them as possible are transferring themselves to other means of transport, and over the last decade over a million of them have succeeded?—I do not think so. I have tried to explain three or four times that if you start on the basis of 1948 and imagine that 1948 is normal, you are going to draw the wrong conclusions.

1439. I am sorry?—If you start from 1948 as a base year and imagine that it was a normal year, you are going to draw the wrong conclusion.

1440. It is a steady decline in every year from 1948; there is no year in which there is any improvement, is there?—There is a steady improvement in the housing conditions, we might say.

1441. I think you say also in this paper, on page 3, that the only thing that can prevent all this is "rationalisation and consolidation of the railway system, assuming that the three P's do not prevent it", and you say that rationalisation and consolidation will therefore bring down the average cost by a considerable figure. I think the three P's are the public, the press, and politics. Then you go on to page 21 to make certain observations about all three of them. You say, first of all that, without being malicious, the press rather tend to give a distorted picture about complaints?—I do not think I said that.

1442. In the very nature of the matters with which they are dealing?—I certainly did not say that.

1443. I will read it: "Much of the propaganda hostile to railways is quite unmalicious. For example, the collection and delivery services of British Railways—a comparatively minor aspect of their activities—handle 170 million parcels a year, let us say, and if only one in 10,000 goes astray this is 17,000 a year, or about 300 a week. If one out of every 100 consignors writes to the national Press about it, and the letters are printed as a matter of public duty and interest, there will be three letters every week, given nation-wide prominence, complaining about the chronically bad services of British

Railways as a whole. As I say, there is no malice, but the distorting effects, and the considerable consequences thereof, are there all the same"—no doubt that is a perfectly true statement of the position. Then you go on to say: "Nationalisation is still a general political issue, and the railways are not only nationally-owned but also they are merely one part of the industry". In the next paragraph you say: "It is frankly admitted by many that in an election year we must expect these attacks to be intensified. If there were a well-informed body of public opinion on the true nature of the problems and economics of transport, perhaps the partisan propaganda would not matter much. But there is no subject, in my experience, so little understood. It is too intricate. The corpus of doctrine handed down to us relates to circumstances which no longer obtain. The complications and consequences of regulation, licensing, partial monopoly in many forms and disguises, and price controls, are outside the knowledge of the ordinary person, however intelligent. The basic fact is not appreciated that a comparison of two rates is hardly a safe guide to the economics or costs of the services concerned. The effects of feeling obliged to cope with 'peaks and green fields' are ignored. One even finds the current difficulties of railways and London Transport being used to damn at large the other undertakings of the Commission, however efficient and profitable, such as road haulage and bus companies. Where all is so confused, and nothing is what it seems, it is perhaps too much to expect the public to maintain a balanced view, except by instinct. However that may be, the special attack on the railways at the moment is mounted as follows: (a) It is pointed out that the volume of traffic is falling, and suggested that this must be due to inherent inability to compete with other forms of transport". I put it to you that really the public complaint is in regard to three other P's: Inherent inability to have regard to price policy and psychology; do you really believe?—I think I have spent practically the whole of my time in giving evidence in chief talking about psychology as distinct from logic. I do not think your suggestion is really fair at all.

1444. But we ought to get the psychology right?—Indeed.

1445. Do you really believe there is an attack on the railways now, because it is felt that you cannot compete with other forms of transport? Is not the attack due to the feeling that you have pushed the price beyond what you call the psychological fare?—Of course, I am really talking about freight in the whole of these paragraphs.

1446. But, I think, as you said, what really concerns the Press, the politicians and the public is the charging policy?—Yes. The whole of this paper is about freight, you know.

1447. Yes; can I say at once that we are in entire agreement with what you say about the importance of flexibility?—Yes.

1448. And we are also in entire agreement with the answer you gave on the Second Day, page 45, to question 61. Mr. Fay asked you in that question: "Do you think the customer demands a standard of fares?" and you say: "The trend in the customer's mind is away from it". A little further down, half-way down in the answer, you say: "... it is financial suicide to fix fares wholly or mainly by reference to mileage"?—Yes.

1449. I think we have already indicated that we also agree with you—

(President): Mr. Rippon, the purpose of cross-examination surely is not to indicate to the witness where you agree with him, but to put points where you do not agree?

(Mr. Rippon): With respect, Sir, it does not take very long, and if I indicate where we do agree, I think it does help to narrow the areas of disagreement.

(President): It would help in your final speech, maybe, but it will not be a contribution to cross-examination.

1450. (Mr. Rippon): With respect, Sir, it is a little early to say that. Really what I am going to put to Sir Reginald is that we agree with these general principles which he adumbrated in his evidence. (To the Witness): What we want to know is why this policy of flexibility ends with the London boundary?—We have always made

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[Continued]

the point that there is a big difference between outside London and inside London, and I think that somewhere in my evidence in chief—I cannot find it at the moment—I referred to the desirability, or perhaps indeed the necessity, over certain areas of traffic to have a formal and logical fares policy covering that area.

1451. That is what you say, but do you think that the trend in the customer's mind changes inside the London Area—

1452. (Mr. Patrick Browne): I think the question Sir Reginald had in mind may be Question 112?—Yes; I am obliged. It is the second half of the answer to Question 112.

1453. (Mr. Rippon): That is where you are dealing with London?—No; I was making general remarks which would apply to Manchester, Glasgow or any other area which was suitable. I say: "... we fully recognise the social and administrative advantages of fixing fares over a given area on a simple and logical basis, however defined."

1454. "... We do not say that such a basis would be inequitable, certainly not if it were regarded as proper and equitable by the customers and if the customers were all agreed about it. In other words, where there is a social contract, as I believe it has been called, to cover the area of service in question, the considerable and constant variations of fare I have been talking about can be much reduced or eliminated by the general consent, but—and this is the trouble—such a basis of fare-fixing also involves, of course, the existence of a monopoly to make it effective..." What you are saying is, whereas outside London the trend in the customer's mind is away from standardisation and it is all right to fix fares mainly or wholly by reference to mileage, in London you are saying there is, in effect, a social contract by general consent?—Yes.

1455. But you can only get the general consent where there is a monopoly?—No; you cannot work it at all unless you have a monopoly, you may have them consenting, I suppose, or not consenting, according to how they feel. What I was saying there is that you cannot work this considerable degree of averaging involved unless you have a monopoly.

1456. In those circumstances it is a little absurd to talk about social contract and general consent?—No, I do not think so.

1457. What I am putting to you is this: Where you have competition outside London you have regard to the fact that the trend in the customer's mind is against standardisation?—I think he is working away from it.

1458. But where in London you have a monopoly you assume a general consent and a social contract?—I think that is most certainly so. The average person in London thinks that a fair fare is one which is the same for the equivalent distance.

1459. So you do not think the Objectors, who from time to time have urged upon you the desirability of having regard to Special Areas and special traffics, really represent the feeling in their part of the London Area?—I think they are outnumbered.

1460. You think they are outnumbered?—I think they are outnumbered. They would certainly be outnumbered if a number of people realised that the concessions being asked for in one particular area would have to be paid for by the other areas.

1461. If you have flexibility of fares you have some fares higher and some fares lower?—Yes.

1462. What I put to you is that that is not a concession, that is good commercial policy?—Yes.

1463. If it is good commercial policy to let a man in Essex travel a given distance for 4d. and good commercial policy to make a person pay 5d. in Surrey, that is quite acceptable, and it is infinitely preferable to both of them paying 6d.?—Yes.

1464. Do the Commission still take the view that it is impossible with the whole Area of London not to apply these general principles of flexibility to which you direct your evidence so far as the rest of the country is concerned?—I do not think we have the same problem of transport at all inside London as we have outside London

in the rural areas or on the main lines. One might conceivably have problems equivalent to London in Glasgow or Manchester, or other such places, where, indeed, you have the same sort of fare fixing as you in London, and that tends to indicate that in a built-up area with traffic problems of the kind you get today it is necessary to have a rather different kind of fare structure. Leaving out the conurbations outside London, there really is no comparison between London and outside; it is what I call London *versus* the rest. May I tell you why I do not think they are comparable? First of all, in London you have different traffics, different types of traffics, different customers, different costs, and different problems. For example, in London 60 per cent. of the travel is season tickets and workmen's—incidentally, the cheapest form of ticket—whereas outside London there is only 6 per cent. of the total traffic in those categories. Above all, London is a monopoly area and has a narrower range of fares, whereas outside is competitive and, of course, has a wider range of fares.

1465. In fact, it is because there is a monopoly that you say that it may be the competitive need for flexibility is not so great in the London Area, although there is still the private car to reckon with. I think that is what you said in answer to Q.52?—No. Let us go to the root of the problem: Why is there a monopoly in the London Area? Start with that. There is a monopoly in the London Area because otherwise you would simply not be able to work the traffic at all. The whole tendency, in fact, is to insist more and more upon a common single administrative unit for transport in the London Area. As you know, there has been evidence given to a Committee, or an Inquiry body of some sort, and the whole trend of that evidence has been that you need a single control in the London Area. It may be unfortunate, it may be that the monopoly area is larger than one would like; but it is no use saying London Transport is too big, because all you are saying really is that London is too big. The problem with which we are dealing here is London.

1466. Perhaps these are detailed questions which I can put to Mr. Harbour or to Mr. James, but there are local Managers in the London Area as well as outside?—I hope you will put those questions to Mr. Harbour. They are questions which concern us quite a great deal. We think about these things a great deal more than people give us credit for, and we have to come to some decisions about it, and we have to do what we think is best in the public interest.

1467. I think, Sir Reginald, we all give you more credit than we may sometimes appear to give you. But it is a fact, is it not, that at all these Inquiries those whom I represent have been attacking the principle of the social contract and the standard fare?—Indeed.

1468. They have, in effect, been trying to apply the principles you are adumbrating for outside London to inside London?—I have not been unsympathetic, but I just do not quite see how it could be worked.

1469. You do say in answer to Q.112: "... We ought to stop thinking that uniformity is the same as equity; secondly, we should pay more attention to notions of costs and value according to the circumstances as they are..." May it not be the case that, in dealing with such a great area as London, the circumstances in Essex may be quite different from the circumstances in Surrey?—You mean Essex within the London Area?

1470. Yes?—I do not quite perceive at the moment what those differences might be. Would you, perhaps, address this question to Mr. Harbour, because he knows it all backwards?

1471. If it could be done, you would like to see the same principles applied to London, greater local flexibility, like the running of the famous West Ham bus which produced net revenue, but which did not accord with Mr. Valentine's views on equity?—I am afraid I do not recall that matter.

1472. What I am really questioning is this: It has been suggested at these Inquiries that it is not really desirable, nor does the passenger desire it, to have a system of fares that varies too greatly between the hours of the day and the type of the service, because the passenger becomes

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completely confused?—That is one of the difficulties, I think.

1473. You think you have this entirely different desire by the passenger inside the London Area from that which he has outside?—I think his attitude is rather different. For one thing, the distances are very much shorter, but it is not entirely a question of the attitude of the passenger, it is a question of what will work.

1474. In considering what will work in London as elsewhere, you have to have regard to notions of cost and value according to the circumstances as they are in fixing what you call the psychological fare?—Not in a monopoly area.

1475. You think there is no psychological fare in the monopoly area?—I am not saying that. Of course, various concessions are given at the moment.

1476. What I am saying is that the loss of traffic in the London Area is already so great that you have passed the point of the psychological fare and you are relying too much on a monopoly which, on your evidence, is not as complete as some people occasionally suggest?—Yes, I understand the point.

1477. Do you go any way towards meeting it?—If I may say so, it is a valid point and it has to be met.

1478. I think you do say in your evidence that you cannot simply relate costs to price, that none of the businesses of averaging your competitive costs, or particular costs, are really valid?—That is so.

1479. Is it the position, therefore, that it is no good saying, even in London: "The cost is so much, therefore the price must be so much"?—You used the words "no good".

1480. Perhaps "dangerous" might be better?—Yes. On the other hand, one can get out of the frying-pan into the fire.

1481. By bringing passengers back?—No. Special arrangements made in one place will certainly have to be extended elsewhere. One might argue until one is blue in the face that the circumstances are different, but you will find, nevertheless, that you will have to extend them. London, I must warn you, is a very special place in all kinds of ways, and there is a very great deal to be said for the doctrine of assimilation in London. I think you get into still more difficulties if you throw that out of the window. I am not saying that there are not certain things which might be done, but you have got to be very careful indeed; and, by and large, I am in no doubt at all that assimilation is the only course in London. If it could be shown that assimilation was having a bad effect on the pattern of travel—that is to say, it was resulting in one artery being under-used whereas the other is being over-used, as it were—then I would see a reason for modifying assimilation in that respect. That, you see, is the economic and social justification for saying that peak travel should not pay more than off-peak. That, again, is a sort of "dis-assimilation", as it were.

1482. I am very much obliged for that answer, I think everything else is now a matter of argument. Of course, you appreciate it always has been the case of those I represent that we should have regard to special areas and special traffic in London, but, quite clearly, you cannot go any further than you have, and I am grateful to you. You did go on to say in that answer that the price should be higher in the peaks; you then obtain "dis-assimilation", as you called it, outside London in the sense that prices should be higher in the peaks?—I was talking about inside London the whole time.

1483. Both inside London and outside London prices should be higher in the peaks?—No, I did not say that. I said if the pattern of traffic was becoming almost uncontrollable, if you were having very heavy costs inflicted upon you by way of duplication or quadruplication of facilities, if there was a danger of self-strangulation, in circumstances such as those it would probably be proper and sensible to employ a price policy to shift the peak a little, if possible.

1484. But there is no great objection to a higher price in the peaks, in fact it may well be desirable?—What I said before was that it depends upon the peaks and it depends upon the circumstances. Let me put it in this way: I am not shocked if some passengers, in special

circumstances, pay less than other passengers in different circumstances.

1485. I think, to introduce a measure of agreement, we are inclined to agree with you that prices should be high in the peaks in London. All we disagree with you about is how high it should go, because it follows, of course, that if it is high in the peaks it is low in the off-peaks?—Indeed.

1486. It has, of course, been the case for those whom I represent in all these inquiries that you should, in order to flatten the peaks, have cheaper fares off-peak?—Yes.

1487. Is that not really the case for the early morning fares and the cheap day fares?—Yes. The total answer, of course, is possibly right.

1488. To that extent they are not concessionary fares, as you call them, they are really economic fares?—I think, as regards the workman's ticket, it has had, and still has, an element of it which cannot be called economic.

1489. An element?—Yes.

1490. But in principle would you say it is really, on your argument, a good idea to retain early morning fares in some form or another?—It might be sound commercial common sense in some cases, and in some circumstances, to give a fare in the early morning which is lower than the fare paid by people in the peak.

1491. Does that answer represent a modification of the view you have expressed at other inquiries, that really in London the early morning fare ought to be eliminated, gradually, but, nevertheless, as speedily as possible?—No. We have been referring in the past to the elimination of the early morning fare as a statutory requirement, and to that we still hold. We are saying that we can imagine circumstances in which, as a matter of commercial judgment, we might think it proper to have a fare—and I hope it will not be called an early morning fare—in the early part of the day which is lower than the fare which is paid at the height of the peak. I am saying that, theoretically, that would not be unsound.

1492. Can you give any sort of assurance to present early morning fare travellers that they will not be suddenly forced to pay considerably greater amounts? I am afraid I have not expressed that very clearly?—I understand you. I am bothered once again with these adjectives, "considerably greater" and so forth. It is part of the Scheme that all fares are going to be increased. I think we have also said that if the early morning fare is abolished as a statutory requirement we will, nevertheless, not immediately do away with the concession, if I may call it that.

1493. Of course, "immediately" is a word which is just as difficult to explain as "considerable"?—I am afraid so, yes.

1494. In answer to Q. 104 on page 48, after dealing with the question of how far one should charge a like fare for the like distance, Mr. Fay put this to you: "Another moral concept which seems to have been handed down in railway charging is the idea that an essential traveller ought to be favoured in some way, as he has been by early morning and season tickets in the past." Is there not another way of approaching this: Assuming that early morning and season-ticket holders ought not to be favoured as essential travellers, or that it is no part of the British Transport Commission's job to consider hardship, ought you not really to be considering favouring them as economic or regular passengers? Is not the basis for the special fare for early morning and season-ticket travellers, not that the traveller is an essential traveller, but that he is regular and so economic?—That he is regular is one factor in the equation, that he buys a season ticket and thereby saves a good deal of administrative trouble is another factor. Those factors are both on the credit side. There are, of course, other matters to be considered on the other side of the coin.

1495. From the Transport Commission's point of view the advantage is the money in advance and possibly no loss due to sickness, bad weather or short holidays?—Yes. I do not suppose the sickness would help us particularly, because we would still run the train and the seat, or the standing room, would still be there.

1496. But you have been paid for it. It does not matter if the seat is empty so long as somebody has paid for it?—I agree.

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1497. Apart from those considerations, is it not the fact that the London Transport system was largely built up by these workmen's fares, early morning fares and seasons and the taper, all of which encouraged people to move out of Town and travel to their work?—That is a matter of history on which I am reflecting. The London Transport system goes back a very long way, does it not? I would have thought the London Transport system was primarily built up on the LGOC and on the Tubes which were built in the early days, especially the Central Line, and then the trouble began to develop, and I think it was in 1911 that we first had the institution of the common fares. So, you see, this all goes back a very long way. Then we were still left with the municipalities working separately, and that was found to cause difficulties. Then the London Passenger Transport Board was set up in, I think, 1933. By the time the London Passenger Transport Board was set up I would have called London Transport a going concern. I am not sure that its size was very much less, certainly not fundamentally less, than it is today; but, undoubtedly, the extension of the Tube out into the green fields assisted, I suppose, in building up London Transport.

1498. What I am really putting to you is this: Whatever view you may hold—and I gather it is quite a strong one—about the social desirability of relieving urban congestion by, as I say, decanting the over-spill from the conurbations, is it not fair to say that London Transport, on a long-term view, would suffer considerably if people were induced, not only to go by Mini-Motor or walk, but either to take jobs nearer their homes, or to move back into the urban centres again, and so always travel shorter distances?—There is always a time in the life of most commercial undertakings where you find it necessary to give up a certain amount of your turnover in order to make the rest remunerative. If you are trying to sell in a market which cannot stand the price, then you are damaging yourself if you keep that market.

1499. You are really in a dilemma: Either you have to accept more empty seats from loss of good will driving passengers off, or you have to face such severe reductions in the service that there is a passenger revolt?—You

balance the budget to the level of activity. The point about economies which you are making is rather a different one.

1500. If you bring the activity below a certain point, the standard of service which you will be able to offer will really be quite intolerable for a public utility enjoying a virtual monopoly?—On the contrary, it might be much better. It is when you are trying to hold on to territories that you cannot really finance that the quality of the service begins to decline. In other words, make quite certain what it is you can do properly and do it well.

1501. Even if it distorts the whole pattern of public policy in other spheres?—Now, of course, we are discussing another aspect of the problem. Certainly that has got to be brought into the picture, and where the point of balance lies is a matter of discussion and judgment.

1502. What I am putting to you—although, of course, you will not agree with it, but it is my case—is that if in the immediate future you try to raise an additional £10½m. revenue in London by increases of the sort you contemplate, you will pass the psychological fare, if you have not done that already, and you will lose a tremendous amount of public good will, a much greater amount than if, as you suggest, you allow the deficit to continue a little longer?—Yes, I understand what you are saying, Mr. Rippon, but I can only assure you that we have taken all these aspects of things very carefully into account.

(Adjourned for a short time.)

(President): It might, perhaps, be convenient if I said something about our sittings next week. We could not sit on the morning of next Tuesday, but if there were a strong demand that we should sit in the afternoon we could do so; we certainly shall not sit on Thursday of next week, and it is possible that we might not sit on Friday, although we cannot be certain about that at the moment. So, unless there is a strong demand made that we sit in the afternoon of Tuesday, we shall not sit on Tuesday and we shall not sit on Thursday in any event. With regard to Friday, we will let everybody know either later today or tomorrow morning.

Cross-examined by Mr. GRANT.

1503. (Mr. Grant): I want to ask you a few questions on behalf of the Borough of Beckenham. I do not know whether you are familiar with the locality, Sir Reginald?—Yes.

1504. You know it lies to the south of London, and I expect you accept from me that the distance travelled varies from 8 to 15 miles to the centre of London?—Yes.

1505. From that area there is virtually a rail monopoly on the journeys to the centre of London; do you accept that?—I would have thought there was a great deal of road traffic.

1506. Private car traffic you are referring to?—No, bus traffic.

1507. It is a long way to go by bus to the centre of London, is it not? It is a long journey?—It is a very long time since I lived there.

1508. I want to ask you a few questions, first of all, about your tables or your graph which you have numbered RHW 13, which you will find on Day One, page 33. As I understood this graph, its purpose was to show the discounts which passengers would obtain by purchasing a monthly season ticket as against buying their tickets day by day?—Yes.

1509. Perhaps you can help me to this extent, by letting me know how many days travel a month have been assumed in your five-day week?—12 or 10 journeys a week. I suppose you will then ask me whether that means 48 or 40 in a month. I think the answer is 44.

1510. Could you check that?—Yes, it is 44.

1511. That assumes, of course, 22 working days in a month?—Yes.

1512. That is on the assumption of 10 journeys a week with a five-day working week?—Yes.

1513. Of course, the maximum you could get would be 23 in any month, would it not? That is assuming a working week of five days a week four week-ends in a

month and 31 days in a month?—Yes, but you can travel at week-ends. You can come up to the theatre on Saturday evening, go to concerts on Sunday or even to Church on Sunday.

1514. You can go to Church in the centre of London; is that the point?—I used to have a season ticket from Beckenham many many years ago when I was very young, so I am not talking entirely without knowledge of what one can do with a season ticket from Beckenham.

1515. But you have not dealt with the unusual travel times, have you? What you have assumed?—Is 44 journeys, yes.

1516. You would agree, would you not, that it is now more usual, in a way, for office workers to work a five-day week?—Much more usual.

1517. Would you also agree with me that the great majority of the season ticket holders in this country are London season ticket holders as opposed to season ticket holders outside London?—There are more railway season ticket holders in London than railway season ticket holders outside London.

1518. I think we can get that from the answers you have already given. Yesterday you may remember giving a figure, I think to Mr. MacLaren, of the total annual receipts from season tickets on the railways outside London of £5m. That is at page 104, Question 1172?—Yes.

1519. One compares that figure—I hope correctly—with the figures that Mr. Harbour gave on Table BH 15 on Day One at page 26, as the receipts for British Railways London Lines of £12,179,000?—Yes.

1520. Then if one looks at the LTE Railways, you have got £4,183,000, the coaches a much smaller figure, and the grand total for the London area season ticket holders, including weekly tickets, of £16,528,000?—Yes.

1521. One has to compare that with the figure of £5,000,000 outside London—or have I left out the road services?—Well, there are such things as ten-journey tickets, twelve-journey tickets and twenty-four journey

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[Continued]

tickets on the buses. You are not really comparing like with like, that is why I am appearing to boggle at it, but the figure is there so far as this case is concerned. Naturally most of the people in the large conurbations are to be found in the London area and, therefore, there are more season tickets.

1522. I just want to get the ratio about right. Would it be right to say—and I do not want to tie you down to an exact figure—that if you take the figure of approximately 16 to 5 as being the number of ticket holders inside London as opposed to outside London it would be about right?—Not season ticket holders. We were talking about money.

1523. I know, but I want to get some idea from you as to the numbers we are dealing with. Would the ratio be approximately the same as the receipts?—May I say at once I do not know the number of ticket holders, but if one can work it back from the estimated number of passenger journeys, it may be helpful for me to say that, according to a piece of paper I have in front of me, there are 109,000,000 passenger journeys.

1524. (President): In London?—Made by season ticket holders outside London, Sir.

1525. (Mr. Grant): You cannot give us the figures for inside London?—I am just going to have a shot at it. I would have said that in London, including the London, Tilbury & Southend Line, the figure would be of the order of 203,000,000 passenger journeys.

1526. That only gives a ratio of 2 to 1 in London?—Yes. I am bound to say I do not understand it at the moment.

1527. (President): What is the figure you gave us first of all?—109 million, Sir, outside the London area.

1528. (President): I have no doubt those figures are perfectly correct, but the figure we have got as the number of season ticket passenger journeys for British Railways as a whole in the Accounts is 313,000,000, looking at Account IX-3?—Does that not roughly agree, Sir?

1529. (President): That is 313,000,000 for British Railways as a whole?—And I said 110,000,000 outside London and 203,000,000 inside London. It is roughly in balance. I am sorry it is not exactly right, but I am doing some mental arithmetic.

1530. (Mr. Grant): Those are both railway figures?—They are British Railways' figures.

1531. They exclude the London Transport lines?—Yes.

1532. Anyway, that would give you a ratio of 2 to 1 inside London as compared with outside London passenger journeys, excluding the London Transport lines?—Yes.

1533. So it would be greater if we included them?—Yes.

1534. Would you also agree with me that weekly season tickets, having heard the figures Mr. Harbour gave, are fairly common in the London area as opposed to monthly season tickets?—I am afraid I have not got these figures at my fingertips. I do not wish to appear difficult, but I think you will get your answers more quickly and accurately from Mr. Harbour. I can refer to this piece of paper and give you an answer, but I do not carry the figures in my head.

1535. It is right, is it not—and this is the point of my question—that RHW 13 has no relevance at all to the London season ticket holders?—It applies to all season tickets throughout the whole of British Railways, including the London Lines.

1536. That was your view when you put this table forward, that it applies to all season tickets?—The season ticket scales inside and outside London are assimilated under the Scheme, and that is the diagram which shows the discounts which are available whether the man is in London or not.

1537. I thought you would agree with me on that, but you do not. You say that RHW 13, or the argument at the back of it, applies with equal validity in the London area as to the rest of the country?—It applies to all season ticket holders throughout the country on British Railways holding monthly season tickets.

1538. That is what you have done in this table. You have compared the proposed maximum ordinary fare of 3d. per mile with the proposed maximum scale of monthly season tickets?—Yes.

1539. If it is to apply to the London area you ought to have applied a different daily fare, ought you not?—If you wish to construct a separate diagram for the London area, yes.

1540. What you have done is something quite wrong, is it not?—Certainly not. You are suggesting we should do something else, but that does not mean that what we have done is not exceedingly interesting and exceedingly accurate.

1541. But your view is it applies with equal validity to London. That is wrong, is it not?—No.

1542. When you were dealing with the London railway passengers should you not have taken the figure set out in your Third Schedule of your Application, which is the maximum second class single fare?—The single fare on British Railways inside London is 3d. a mile.

1543. Is it going to be assimilated?—No.

1544. Not at all?—No. There is a provision for a cheap day return, but, then, there are lots of cheap day returns outside London.

1545. If I look at, for instance, the Third Schedule of your Application, am I not right in thinking that the day return to be offered to the public travelling on London Lines of British Railways is going to be equal to the Third Schedule, which is headed "London Lines of British Railways and the London Transport Executive Railways"?—Yes.

1546. Have I misunderstood the whole application?—If the man takes a return ticket, those are the fares. If he takes a single ticket he will pay whatever is fixed under the maximum of 3d.

1547. But if he is travelling from Beckenham to London for a day, to come back on the same day, he has to take the fare in the Third Schedule?—Yes.

1548. And if you compare that with his weekly or monthly season ticket, you will get his saving?—You will get a different graph.

1549. You will get his saving?—Yes.

1550. Because what you are comparing is the position of a passenger living, shall we say, in Beckenham and going to London for the day to work, either by season ticket or else by day return. Is that not right?

(President): No. What you are saying is he ought to compare that, but the graph does what the heading says it proposes to do. What you are saying is there ought to be a different graph for day returns instead of maximum ordinary fares.

1551. (Mr. Grant): Yes?—We have already published a graph of the kind I think you want.

1552. Have we had it?—Yes.

1553. Because, you see, that is the real question: what discount a man will get if he travels on London Lines either by day return or by weekly or monthly seasons?—That is one of the comparisons, certainly.

1554. That is the only comparison that a passenger is going to make in the London area?—If he is going up and down every day and he buys a return ticket. I am not quarrelling with what you say.

1555. I understand this graph is really only intended to illustrate the season ticket itself as opposed to the single journey made twelve or ten times a week; that is right, is it not?—This graph was introduced by me to assist in estimating what the general position will be on British Railways. I was not thinking of any particular place at all. I would have to draw a whole series of different graphs according to each main conurbation to compare the prices of season tickets with whatever other tickets were available. I am with you, Mr. Grant. If you do not attribute wrong purposes to me, I agree straight away that the man who is travelling up and down every day would pay attention to the difference between the season ticket and the cost of his day return.

1556. You could not possibly suggest he would go up by a single and come back by another, could you?—He does not always go back the same day. He may be going on to somewhere else, he may be going to Manchester.

1557. If so, the graph is of no interest to him?—Certainly. He may be going to Manchester for a couple

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[Continued]

of days, but he still wants a season ticket for the rest of the month.

1558. I just want you to look at the figures we have produced to show the comparison if you take the daily return figure as opposed to your graph. Have you seen this document before?—I am afraid not.

1559. Would you look at columns 8 to 10 and I will try to explain what we have done. We have set out the proposed charges, the day return fares, in column 8; in column 9 we have set out the weekly season ticket rates, and in column 10 we have set out the division of column 9 by column 8. You follow that, do you?—Yes.

1560. Taking the top line, you will find the day return from your Third Schedule of 1s. 10d., the proposed weekly season rate of 11s. 6d., and then we have divided the 11s. 6d., by the 1s. 10d., and the result of that is a figure of 6.27; which means in effect, that you would have to make a double journey more than six times in order to get your money back for your day return in order to save money on buying a weekly season ticket. Do you follow that?—May I have a moment? If he travels six days at the daily return fare he spends 11s. Is that right?

(President): Yes, that is right.

(The Witness): So you are saying that his weekly season ticket will cost him more than the daily return?

1561. (Mr. Grant): Yes?—I agree.

1562. There is not much inducement in that range to take a weekly season?—No, but that is a five-mile journey.

1563. The journeys I am most concerned with are journeys between 8 and 15 miles, which we set out below. It is right to say, is it not, that if you have a person who does a five-day week at 8 miles he would still lose money by taking a weekly season?—Provided he does not go up on Saturdays, or to football matches, or, as I say, attend other occasions on Sunday. He is quite free to choose.

1564. But there is no inducement, except in the special circumstances you mentioned, for a man to take a weekly ticket if he is only working a five-day week?—Not if he is only working a five-day week at this very low distance.

1565. Indeed, if we took your graph and re-drew it on this basis, it would show a surcharge, would it not, at ten journeys or, as we put it, five double journeys in one week?—No, not necessarily, because our graph is concerned with monthly season tickets.

1566. I know that, and we will come to the monthly figures in a minute?—As I have not seen the monthly figures yet, I cannot say what the answer would be in terms of our graph.

1567. If you take even the longest journey—because I admit the matter gets a bit better on the longer journeys—all you get as an inducement to take a weekly season ticket is the difference between five times 5s. 2d. and 4.6 times 5s. 2d. Do you see that 4.6 against the 15 miles?—Yes.

1568. That is an advantage of about 2s. 1d. It is not much of an inducement, is it?—It is not, based on your assumption that he only travels on five days and never travels more than twice in a day. I do not know what inducement there would be to an individual person.

1569. You are not exactly passing on to the passenger the benefits which were put to you yesterday which you get from his taking a season ticket?—The benefits at the very short distances are very small.

1570. This is a 15 mile journey, making 30 miles in both directions?—Yes, but it is still 15 miles only.

1571. It is not a very short journey?—It depends on the pattern of travel. We are now getting into considerable detail, if I may say so, on the proposed fares for the London area, and I think you would be better served if you asked Mr. Harbour about this.

1572. Surely you can answer, on behalf of the British Transport Commission, a few points of a general nature about this? Is it really the intention of the British Transport Commission to make season tickets unattractive financially?—No. Of course, you asked me a general question and I gave you a very general answer.

1573. Do you want to keep for yourself the benefits we have heard mentioned to you yesterday from Mr. Valentine's evidence in 1950?—May I make it perfectly clear that we do not keep anything to ourselves. All these

proposals are devised in the public interest. If one passenger pays rather less, some other passenger pays more, and vice versa. There is no question whatever of keeping anything for ourselves, it is a question of devising Schemes which are reasonably fair as between all those who use the services, and that is our sole objective.

1574. I think you accepted that there was a material economy in saving all booking charges, there is a substantial economy in the stabilisation of traffic due to the season ticket holders, and there are other advantages you get?—Yes. The point is arguable, I quite agree.

1575. Is it your intention that the person who buys the season ticket should not get the advantage of those economies, but that they should be passed on to the general traffic or the general users of the British Transport services?—It is, surely, self-evidence from the table itself what is intended.

1576. Which table are you talking about?—The table you put in front of me, the table which anybody can construct from all the other tables that have previously been put in. It is quite clear that, unless our judgment is sadly astray, we think it is sound and sensible, in the public interest, to offer a weekly season ticket from Beckenham at a 5 miles distance which costs 11s. 6d. although the day return fare is 1s. 10d. When I say "Beckenham", I am thinking not merely of Beckenham, but I should say we think, as a generality, a five-mile weekly season should cost 11s. 6d. We are not disturbed by the fact that a man who is only travelling five days a week may, in certain circumstances, be better off himself if he took a day return.

1577. Of course, he has other things to consider?—Yes, certainly.

1578. The inconvenience of buying a ticket day by day?—Certainly.

1579. If you make it financially attractive to people to buy a ticket day by day, you are going to get a great increase in the queues at the ticket offices, are you not?—Those are all questions at which we have to look. We weigh them up on the one side and the other, and we devise our fare scales accordingly.

1580. Of course, if you did not increase your ticket staff in order to cope with this increase in demand, that would be one factor forcing people towards season tickets, even though they were uneconomical, in order to save the waiting time. Is that what you intend to do?—Are you suggesting that because we keep people waiting at the ticket offices we can put up the price of season tickets?

1581. You see, my clients are disturbed about this alteration in the season-ticket rates. You understand that, do you not?—So is everybody.

1582. If you look at the second table you will see how it works out if you take a monthly season ticket. You will see that at eight miles the figure would work out at 19.76 as a multiple of the day return to the monthly season ticket rate, which would give a microscopic advantage to a person taking a season ticket as opposed to a day return day by day. Some months, of course, at five days a week, there are no more than 20 working days?—He gets 22 working days on that basis.

1583. In some months there are only 20 working days?—How many working days are there in a year?

1584. I do not know that I am going to answer that question, just answer my question would you?—Do you know that in some months there are only 20 working days?—I really cannot work it out. Where do we get to in February?

1585. February is 20 working days. Any other month that has five week-ends and only 30 days in the month has only 20 working days also. Did you know that? Is not that, obviously, right?—It looks it.

1586. If you have 30 days in the month and five week-ends, you get 20 working days, do you not?—That would appear to be correct.

1587. Looking at the figures again and taking the longest journey with which we are concerned from Beckenham, 15 miles, the monthly season rate is £4 6s. 0d. in column 9?—Yes.

1588. That is quite a considerable sum for an office worker to produce in one month, is it not, in one sum?—Which office worker have you in mind?

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1589. The office worker who is paid about £12 a week. The point of my question, really, is this: It is really difficult for these people sometimes to produce the money in one go to buy a monthly season ticket?—Yes, of course I know that; but if he was getting £12 a week, he is earning £48 a month, so it is 10 per cent. going on his fares.

1590. But he has to pay your charges in advance, does he not?—One month in advance, yes.

1591. He cannot wait until the end of the month to pay. You are giving him a very small advantage for the fact that you receive all your money paid in advance for his journey?—You are referring to the interest question, are you?

1592. It is a small sum, I know, with a monthly figure. Another factor which I expect you appreciate is that these people have got to take into consideration the possibility that they may not, for various reasons, be travelling for one or two days during that working month?—Yes. I am sorry, but I do not quite get the drift of your question. These are hardly matters on which you want expert evidence from me.

1593. I want to know quite generally whether it is, to use your words, fair and equitable to give such very small discounts to people who are travelling from these distances either on monthly or weekly seasons?—We certainly think that the fare scales we have devised are right and proper in the circumstances. You referred to the 15 miles distance and said £4 6s. 0d. was the cost of it. If you compare 22 cheap days at 5s. 2d., that is £5 13s. 8d., so the saving is £1 7s. 8d., a saving of about 25 per cent.

1594. It is obviously economical if a person can produce that money at the beginning of the month?—He can borrow it at 5 per cent. You may not know, but there are people who finance season tickets, I believe.

1595. I want to go back to some of the evidence you gave which I did not quite understand. First of all, will you look at Day Two, page 42, Question 6: "In your evidence, I think you are proposing, are you not, to deal broadly with two matters?—(A) Yes. I thought I ought to try to show first that the freedom to fix and adjust fares flexibly and promptly to suit the local circumstances of service from place to place and from time to time is not only right and proper in these days? I stress "in these days"—but also absolutely essential. I just want you to concentrate on part of that answer, the words "promptly" and "from time to time to suit local circumstances". Are we to understand from that that it is your intention that there should be prompt, or, to use another word "rapid", alterations in fares from time to time?—I do not mean frequent.

1596. "Prompt" means some sort of rapid action, does it not?—Yes; when the cause of the action has been shown, the action should follow quickly.

1597. My clients want to know whether they are to face rapid changes in their fares, up or down, from time to time without any notice?—Within the London Area?

1598. Yes, that is all I am concerned with?—Above the standard fare? You are not talking about the evening "cheaps", or anything of that kind?

1599. I am not talking about anything except your answer, and I want to know what it meant. Are we to understand that there are going to be rapid and prompt changes of fare from time to time owing to varying circumstances?—What do we mean by "from time to time"?

1600. It is the phrase you used?—Frequently—I hope not.

1601. What did you have in mind when you gave that answer?—I was asked about British Railways as a whole.

1602. You will satisfy me if you tell me that this answer does not apply at all to the London Area?—As a general principle it is sound; whether it will be applied in the London Area in the same way as outside the London Area is another matter altogether.

1603. I suppose you must have had some circumstances in mind. Can you not tell me now whether it is to apply to the London Area, or not, and if it is to apply, what it means?—Suppose there were an increase in the Fuel Tax of 1s.

1604. There would be a rapid increase in fares to meet that?—Quite possibly, it would depend on the amount, and it would depend on the circumstances. I am not in a position to prophesy.

1605. One thing I do not understand—though it is a very small point—is on the next page, Questions 29 and 30. You may remember you were dealing with the situation which obtained in road services, I think it was?—Yes.

1606. Question 29: "... Do the Traffic Commissioners usually impose a restriction on the number of vehicles which can be operated on express services?—(A) Yes. (Q) And what is the effect of that on the load factor of your competitors?—(A) Well, it follows that the operators of those particular services cannot make the same great attempts as the railways make to meet seasonal fluctuations and from that it follows that they do not experience extreme fluctuations of load as the railways."

(President): That has been changed to: "do not experience 'such' extreme fluctuations".

1607. (Mr. Grant): Of course, they are restricted in the number of vehicles they can operate, at peak times because, as you told us, the Traffic Commissioners impose that restriction, do they not?—The Traffic Commissioners impose that restriction.

1608. It is right to say, is it not, that the British Transport Commission, as a rule, objects to any increase in the vehicle journeys operated by these road operators at peak periods?—Not the British Transport Commission particularly; all the established operators object.

1609. And included amongst the established operators are the services operated by the British Transport Commission?—More often than not.

1610. What I did not understand from this answer is whether it is a matter of complaint that it puts these people in an advantageous position *vis-à-vis* you in that they have these restrictions on their services. If that is so, why do you object to them, why do you object to any increase?—I do not think I was putting this forward as a matter of complaint; I was putting it forward as a question of fact, to explain the big differences in the load factors.

1611. Will you please turn to the next page, page 44, the second column, the answer to Question 54. You are talking there about the competitive factor, and about half-way down the answer you say: "Again, the single road fares are usually much higher than return road fares; whereas the railways gave up this competitive weapon some years ago..." Am I right in saying that was a voluntary act by the railways?—Yes.

1612. You do not want to take it back?

(President): Is this all within the Beckenham Objection?

(Mr. Grant): Of course, we did not know what was going to be said when we drafted the Objection, but I want to understand quite clearly the importance of this gentleman's evidence.

(President): You are dealing with the London Area, are you not?

(Mr. Grant): Yes.

(President): Beckenham is concerned with the London Area?

(Mr. Grant): Yes.

(President): Are these question relevant to the London Area?

1613. (Mr. Grant): My next question certainly will be. (To the Witness): You go on to say: "The road and air fares are highest where competition is weakest, but the railway fares often fail to reflect the position which exists when the railways have something specially attractive to offer, and for all these reasons I submit that competition by itself, apart from any other consideration, is going to force a different approach upon British Railways in future in matters of fare fixing." Taking the first part of that: "The road and air fares are highest where competition is weakest", is that what you want to do? Do you want to put your railway fares highest where the competition is weakest?—That is not what I said.

1614. It is a comparison between your rivals and the railways, and you start off by saying that their position

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[Continued]

is that the road and air fares are highest where competition is weakest?—Yes.

1615. Our case is that the competition with the railways in the Beckenham area is very weak, and I want to know whether, if that is so, you intend to put your rail fares to the highest in those circumstances?—The point I was getting at in answer to Q. 54 is that I did not see much point in selling transport at the lowest possible price where your position was strongest.

1616. You go on to explain that when there is something especially attractive to offer you like to raise your fares, if I may paraphrase you; but, of course, your service can be specially attractive either for some intrinsic value it has, or because the rival services are unattractive?—Yes.

1617. Where the rival services are unattractive and therefore you can offer a special attraction, is it your intention to put the fares to a specially high level?—No, not to a specially high level.

1618. But to a high level?—Yes, outside London.

1619. I hoped to get that qualification. That is right, is it, "outside London"?—Yes. Inside London, as I have explained again and again, the problem is quite different.

1620. I want to make it quite clear that that answer does not apply inside London?—We think that inside London you are probably driven into a very high degree of assimilation of fares. There can be differences of view about it, but we have thought about it for a very long time, and we believe that assimilation in London will have to be maintained. That means that there will be no discrimination, as some people like to call it, between one place and another. That, of course, will give rise later on this afternoon to complaints by some people that their services are worse than elsewhere, and, therefore, their fares should be lower. You see how all these arguments cancel each other out when one is dealing with a fairly large area?

1621. There is another matter I wanted to ask you about of a fairly general nature which does affect us. At page 46, Q. 71, you gave this answer: "... I think that the only practical course—in fact, I am convinced that the only practical course—is to allow the local manager, who watches all the facts and circumstances of his loadings from season to season, and, indeed, from day to day, a sufficient range of freedom within which he can exercise his local knowledge and business acumen." Does that apply to London?—Yes, but, of course, the local manager in London is the London Transport Executive.

1622. I wanted to hear that from you?—I did not mean the local garage manager in Beckenham.

1623. You do not envisage any further devolution from the London manager?—No.

1624. The branch line services were dealt with in the next question. Of course, they do not relate to London, do they? I will read the answer if you like, but you are dealing there with branch lines which are unremunerative and where the possibility of closing them down can be prevented by a higher fare?—Yes. The only branch line that comes to mind in London is Aldwych, and I think the Transport Consultative Committee have suggested there that the fares should be higher.

1625. Just one question on that: Would it not have been possible for you to have set out a list of all these marginal branch lines and to have asked for special fares in all cases?—Oh, no. They are under constant investigation.

1626. On page 46, at Q. 78, you were dealing with the question of short journeys and passengers getting on to the short journey and therefore discouraging or preventing passengers from making the long journey, and the possibility of a protective fare. You remember the point?—Yes.

1627. I want to know whether that applies to the London Area at all?—I should not think so. I cannot think of any case at the moment. Certainly it does not apply to Beckenham at the moment—I beg you pardon, I have received fresh information. I think you will do better with Mr. Harbour on this.

1628. It is your evidence I am asking about?—But you are asking me about detail at particular places.

1629. My question was: "Does this apply to the London Area", which could not have been more general?—I then translated it as from Beckenham, and there has been some disapproval of what I said expressed from behind me. Will you ask Mr. Harbour for that?

1630. (President): You want to correct your statement that the answer to Q. 78 does not apply to Beckenham?—If you please, Sir.

(Mr. Grant): I gather he says it does apply to London, and somebody else may say whether it applies to Beckenham or not.

(President): It may apply to some London lines in the London Area.

1631. (Mr. Grant): I wanted to ask you about another general matter. At page 49, Q. 109, you gave an answer which caused a certain amount of apprehension when you were dealing with safeguards, and about four lines down you said: "I sometimes wonder who requires the protection, but I can understand the point of view which fears an abuse of power. Of course I understand that. If an undertaking which can take different contributions from different customers makes a habit of exploiting the weak and kow-towing to the strong after a fashion and to a degree which ignores everything except the existence of power, then I think protection is required." That sets out some very extraordinary circumstances, does it not? Is that the only case where you can envisage the public needing protection? You see the qualification: "the undertaking" makes a habit of exploiting the weak and kow-towing to the strong, after a fashion and to a degree which ignores everything except the existence of power", then protection will be required?—I think that is a perfectly correct statement.

1632. That is as far as the British Transport Commission feel it proper to go in saying who requires protection?—It is not exclusive.

(President): He did not say those are the only circumstances.

1633. (Mr. Grant): Do you consider they are the only circumstances, or do you think there are other circumstances?—I suppose you could say you ought to have safeguards from stupidity.

1634. Later on in the same answer you say that the first safeguard "is that all fares are known and published." I am puzzled by that. Would it be possible to run any transport undertaking without publishing the fares?—I said they are known and published, and that is the safeguard.

1635. What safeguard is that?—Publicity is one of the greatest safeguards. That is one of the arguments for a free Press.

1636. Then you go on to say: "Except, perhaps, in the London Area the railway has little monopoly. If the passenger does not, or will not, avoid using the railway services, all I can say is that its value to him must be considerable, and on one view of equity I suppose he is not exploited if he pays no more than the value of that service to him. On the other hand, I say at once, that this obviously is a very controversial calculation and I would not push the point too far." That is not a point you could really use of people who have bought their house at Beckenham and have their work in London, that they should pay just whatever you can get from them because they must pay the value of their service?—No.

1637. I want to come back to what I think is one of the main points that you made, this question of flexibility. I think it was put to you yesterday that you have always had the possibility of going downwards and you accepted that. I think I understand your qualification on that, but it is right to say, is it not, that between 1953 and September, 1957, you had a headroom of 1d.—Yes.

1638. Which gave you a certain upward flexibility. Why did you not use that?—I suppose partly for the reasons that were given this morning, that in 1956 there was a very real hope that one would be able to keep everything stable.

1639. Is that the only reason?—I do not remember whether it was the only reason. It is the one that comes to mind at the moment.

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[Continued]

1640. One other small matter which, I dare say, can be cleared up in a second. On page 48, in answer to Question 104, you did say, at the end, "In any case, I really do not see any great equity in saying that the holidaymaker should subsidise the commuter's transport". It is not really your case, is it, that they are doing that at the moment? The holidaymaker is a peak traveller, is he not?—Not to the same extent as the commuter is.

Cross-examined by Mr. WELLUM.

1642. There has been a considerable amount of publicity directed at travellers with the idea of persuading them to travel other than during the peak periods? Do you agree with that?—There have been great efforts made to stagger travel, yes.

1643. Might I enquire who decides the hours of work for the Transport Commission's headquarters' staff?—The Transport Commission.

1644. The staff do not have any say in whether they travel during the peak or outside the peak?—The staff are consulted about all kinds of matters.

1645. You would agree that in normal commercial concerns the staff work the hours they are told to work?—Yes, but I have no doubt they can speak to their employers from time to time. I would add that a great many of the Transport Commission's staff do observe staggered hours.

1646. In a commercial office, you would agree, however, that by far the great majority of workers have to work the hours they are told, and that means that travelling one way at least they must travel during the peak. If they come in and start at half-past 8 that is before the start of the peak in the morning and it means they will travel back at 5 o'clock in the evening, at the beginning of the peak?—As a matter of fact, I hesitated because I suddenly remembered the story of one of our office boys in my office 25 years ago who used to come in at a very early hour in the morning and sit in the cemetery until the office opened. However, of course, I am not suggesting that all travellers should do that kind of thing. I agree that virtually their hours of travel are dictated for them by the office.

1647. Is anything being done by the Transport Commission to persuade employers to stagger their office hours, other than by just asking the travellers themselves?—Oh, indeed. There have been committees set up in all kinds of places, a vast amount has been done. If you want details of it Mr. Harbourn, who is responsible for this kind of thing, will tell you all about it. A very, very great effort has been made. I am not saying very great success has yet been achieved, but I hope that by the methods which are being employed now we shall eventually persuade the employers to see the point of staggering hours. Of course, it is a very difficult problem. How is it possible to ask all the stores in Oxford Street to stagger their hours? I know that particular matter is under discussion. It is not merely the British Transport Commission who are interested in this, the Minister and the Ministry themselves have done a very great deal in this matter and there are special committees being set up at the moment. I really forget the details, but I daresay Mr. Harbourn will be able to tell you all about it.

1648. Then I will keep my questions on that subject for Mr. Harbourn. Turning to an entirely different subject, again, I am afraid, inside British Transport Commission headquarters: Is there any branch of the Transport Commission which deals with organisational methods, or business efficiency, as I call it?—Oh, yes.

1649. You send officials on courses from time to time, I presume?—Yes. We do not like the word "officials", but we send transport men on courses on work study, and other things.

1650. Were you aware that during last summer—I believe the main month was July—there were leaflets left in the trains running between Liverpool Street and Clacton with the idea of persuading holidaymakers how nice it would be for them to move to Clacton and make their homes there?—Yes.

1651. Did you know that those leaflets quoted the fares current in July, 1957?—Yes, I know about it now, but I did not know then.

1641. Is it the Transport Commission's case that the holidaymaker is subsidising the commuter's transport, or is that just an illustration which you threw out?—I did not say that. I think, as far as I remember, I was dealing with the attitude of mind which says that the essential traveller must pay far less and the voluntary traveller should pay far more.

1652. The fares were increased at the end of August or the beginning of September, were they not?—Yes.

1653. And this Scheme was already in existence, or if was being thought about, then?—Yes. This matter has all been given the greatest publicity in the local Press, you must know that, and you must know perfectly well that the local Traffic Manager has explained the circumstances in which that happened.

1654. I am sorry, but the Clacton Press does not reach Southend, so I did not know that?—Then why are we talking about Clacton?

1655. We have heard here about how honest the Transport Commission are, and this did seem to me to be a point where the strictest honesty was not observed.—I will not take that; I just will not take it—

(President): Anyhow, you know, if someone wants to pursue an argument based on an allegation of dishonesty the least they can do is put it in the Objection, Mr. Wellum. It would be much better if you adhered, perhaps not absolutely strictly, but within certain limits to the Objection which you have asked to be considered.

(Mr. Wellum): I did believe that this was within the terms of our Objection. It was rather broadly drawn.

(President): That is a point against you. It is broadly drawn, but there is nothing whatever to suggest that your Objection is based on an allegation of dishonesty of any kind.

(Mr. Wellum): This particular point was not brought to my notice at the time this Objection was drafted in any case, so I could not specifically mention that point in it.

(The Witness): May I ask you what you did to check back this story?

(President): We will dispose of this at once. If you want to pursue an allegation of dishonesty, you must reduce the allegation into writing and put it in, and then we may add it to your original Objection; but without full knowledge as to what you want to allege, we are not going to have it pursued here.

(Mr. Wellum): I will put it in writing.

(The Witness): I can give an explanation which will probably clear it up. The Local Traffic Manager is a very able officer and a very keen officer. He did not know that the Schemes for raising charges were in contemplation. There was not a shadow of any dishonesty on his part whatever and I exonerate him from it absolutely. He was trying to increase his traffic, as he ought to do, and he naturally quoted the current fare when he put these leaflets in the Clacton train. If you had taken just a little bit of trouble to check your story back you would have found that this explanation I am giving you now has been thoroughly explained by the Traffic Manager himself, with his apologies, in all the local Press of the places which are served by the train. Now will you just forget the whole thing and I will forget it too. You are a customer of mine and I have to look after you, but do not believe all this stuff about dishonesty; just get it out of your system, because it is not true.

1656. (Mr. Wellum): On the subject of publicity, Sir Reginald, would I be correct in thinking that placards exhibited under contract on railway stations and in trains, etc., must not be contrary to British Transport Commission policy in their contents?—They are advertisements which are paid for by the people who advertise. There are always certain difficulties about what one should allow to be advertised or not; if you publish a poster for a certain seaside resort depicting a lady rather inadequately clothed, there will be lots of questions about it, or if you exhibit a poster advocating temperance, you will probably get letters from those who are not interested in temperance, and so on and so forth. It is always a

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[Continued]

very difficult matter to deal with, but there is no direction about it. Perhaps you could tell me what you are alluding to and I will be able to deal with it.

1657. There is a certain poster which suggests that frustrated passengers should buy motor-scooters; that is exhibited in a prominent place in one of the biggest stations in London?—Would you give me the details; I should like to see it?

1658. It is on the Underground section of the Bank-City Line at Waterloo?—Thank you.

1659. Would you think there would be any objection to a poster showing the proposals which are made in this Scheme being exhibited on a placard on the railways?—No; I think that would have been a good idea. What is more, if the case is not to be considered *sub judice*, we might perhaps have explained it on posters; that might have helped public relations quite a bit. If there is no objection from the official point of view, I think your suggestion is an excellent one.

(President): There is not.

1660. (Mr. Wellum): Will you accept it from me that such a poster was refused by your agents?—If you will send me the details I will look into it.

1661. I will send you a copy of the letter and of the poster. I am glad to hear you say that if the Scheme had been more fully explained it would have been better, because I personally, and my association, have been rather misled by the way in which the Scheme has been produced. Do you not agree that it would have been better, had some very brief explanation of your headroom proposals been circulated with the Scheme itself when that was put on sale to the public?—We had a Press Conference on which I think practically all the representatives of the Press were present; we had that to explain the meaning of the Scheme.

1662. Do you agree that the Press reports suggested that the Scheme was not going to be fully implemented etc. on this occasion?—The Press reports, as far as I remember, could be described as various. Sometimes one found that the flare headline did not correspond with what was in the text a little lower down; I remember very well the flare headlines—and I remember I was a little annoyed about it—"Fifty per cent. increase in all fares". I said to myself when I saw that: "Why did we hold the Press Conference?" However, I must not digress in this manner—we did hold one.

1663. Do you not think in view of what you have said, that such information supplied with the Scheme would have been of assistance?—But surely it was supplied with the Scheme?

1664. I am afraid not; it was a bald scheme such as has been published for the previous Inquiry?—Yes, but

the Scheme is a legal document which comes to the Tribunal; the explanation of it has to be done separately.

(President): I am afraid we decide what is to be made publically available, Mr. Wellum.

(The Witness): If you say that you think it would be helpful for us to work still harder at getting the nature of the proposals explained, I take your point, and I will look into it.

1665. (Mr. Wellum): Very briefly, yes. We have heard a lot about road competition for the railways; have you any idea of what is going to be done—I am afraid this is a fairly local question, but I think you will know the answer—to attract back the large numbers of people who have started to use road transport during the modernisation on the two lines from Southend to London, and also due to the overcrowding of the one which has been modernised?—I should have thought that once the London, Tilbury & Southend line is modernised, the services will be so vastly improved that a great many people who are now using road will be attracted back to the railway.

1666. I see; you think that will be sufficient?—I think it will have a very great effect, judging by what happened when the other route was electrified.

1667. You have seen certain counter-proposals in the Objection put forward by my association; the first one should be: "To grant an extension for one or more days to any season ticket originally valid for a period of not less than one month at the rate applicable to the original ticket". Would the Transport Commission be willing to accept that?—I do not think so, but may I ask you to put that to Mr. Harbour; it is a question of detailed fares in the London Area.

(Mr. Wellum): Very well; I have no further questions.

(President): Is there anybody else to cross-examine Sir Reginald?

(Mr. Patrick Browne): My learned friend Mr. Noakes did say yesterday that he might like to ask Sir Reginald some questions; I had a message sent to him a few minutes ago to ask if he still wished to do so and he sent a message back to say that he did not want to ask anything. However, we will not hold him to that; if he does, he will be at liberty to do so.

(Mr. Rippon): He did indicate to me at lunch time that he did not wish to cross-examine.

(Mr. Patrick Browne): In accordance with what you said yesterday, Sir, will you allow the Commission to delay the re-examination of Sir Reginald?

(President): Yes, certainly.

(The witness withdrew.)

(Mr. Patrick Browne): I now tender Mr. Winchester for cross-examination.

Mr. WISHART INGRAM WINCHETER, recalled.

Cross-examined by Mr. RIPPON.

1668. Mr. Winchester, I would like to begin by putting to you some general questions on the financial policy, with particular reference to self-financing, the building up of reserves and the proper provision for depreciation. I think you define self-financing, as you understand it, in your answer to Question 171, Day 2, Page 52?—Yes, I have that.

1669. That question reads: "Could you help us by giving us a general definition of 'self-financing'?" and you answer as follows: "Being able to meet one's own essential capital requirements for replacement, and some element of addition or improvement. The line is rather difficult to draw; you can say of replacement that some element of addition may be no more than keeping pace with events. If you buy a new bus, it may be a more comfortable bus because that is what is demanded by the passengers, or a faster bus or a more powerful bus, because the road conditions require it. The accountants would call that an improvement, but it does not improve your revenue position at all. The view I am going to

advance a little later is that it is proper that an undertaking should as far as possible finance its own capital, whether direct replacement, or even if there is some element of improvement in it." Then you were asked: "I gather from the definition that you would include some element of general reserve?" and the answer is: "Yes, general reserve would be one of the labels under which 'self-financing' would appear in the accounts". I think it is part of your case that you should have a Scheme approved which enables the British Transport Commission to be self-financing within the framework of that definition?—Yes.

1670. And I think you indicated that you had made some researches into the practice of private industries?—Yes.

1671. And also into the other nationalised industries?—Yes.

1672. You indicate that in a series of answers really, starting from the answer to Question 229 on Page 54?—Yes.

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[Continued]

1673. And the answers to Questions 229 and 230 really represent the total of your researches into the private sector of industries—or the total of your conclusions?—Yes.

1674. That is a very different matter. In the last sentence of your answer to Question 229, you say: "I have analysed all the tables—the four tables so published in the past year—including the corresponding figures for the previous year which gives another four sample tables, and the broad conclusion, which does not vary very much, from one publication to the next, is"—and this is the important part—"That on average the profits earned by limited liability companies are about two and a half times the dividends they distribute—that includes dividends and interest which they distribute". Then you were asked: "There may be various reasons why the companies do retain such a large proportion of their profit in the business, but what is the main reason?", and the answer given is: "The need which they see of keeping the business going as a going concern. If a business earns such small profits that it has to borrow merely to keep itself going on the same basis, it will soon find itself in difficulty. Every business therefore aims to set aside reserves which will be sufficient at current price levels and not merely to write off its current costs in the accounts; and in the second place to provide something which by accounting rules could be regarded as additions and improvements, but may well be no more than the changes necessary to maintain the position in a changing world." Are you saying that those principles ought to be applied to the finances of the British Transport Commission?—Certainly, where they can be so applied. I was speaking in this context in relation to London Transport and the London Area, more particularly where we are testing the Scheme by a financial criterion, and I am saying that as far as London is concerned, this is the kind of aim we ought to have.

1675. Would you not agree that there is a very great difference between a private undertaking and a public utility with regard to this whole question of self-financing?—There have been differences in their practice in the past.

1676. Yes, but differences in the practice because there are so many considerations which apply to a private undertaking which do not apply to a nationalised industry such as the British Transport Commission, particularly when it is not making a profit?—You say "so many considerations"; what are those considerations?

1677. Perhaps we had better look at some of them from the point of view of the private company. Would it be true to say that there are three alternative methods of executing an investment programme, either by debt-financing, by equity-financing, or by self-financing?—Yes. Every capital programme can only be financed to some extent by a proportion of internal financing, and it must to some extent be financed externally.

1678. Is it not going a little far to say that every capital programme would have to engage in self-financing?—In every company the undertaking provides depreciation provisions, which are to some extent self-financing.

1679. Every company does that if it can?—Yes.

1680. But in coming to the decision as to whether or not it will pursue a policy of internal financing, it has two other possibilities to bear in mind, whether to borrow or whether to go in for equity-finance; it might do any of those three things—one of them or a combination of them?—It could always be a combination, and the question would be the proportion of the combination.

1681. Why do you say "always" and "every company"? Why would every company always have a measure of internal financing?—Every company that is declaring a dividend must first of all have provided for depreciation—

1682. Yes, any company that is declaring a dividend; some, of course, are not. Some are not making profits; some of them have to go to the bank, in which case they are in the hands of their bankers, if I may use that expression?—Yes.

1683. And they rely on debt financing, just as the Commission is doing?—The Commission is borrowing to some extent for its capital programme, but it is finding some of it from its depreciation provision.

1684. But assuming a private company in a healthy state; would it come to the conclusion that beyond a

certain point the debt-financing would be dangerous because, for example, it increases the debt-capital ratio and so makes the industry perhaps unattractive in the event of its desiring equity expansion?—I can imagine that circumstance arising quite easily.

1685. Yes; in other words, for a private company there may be arguments against debt-financing?—By that do you mean by the bank or by debentures?

1686. As distinct from going into the market as a general term—what one calls equity expansion in a broad sense?—I am sorry; I misunderstood what you meant.

(President): Yes, I thought you were at cross purposes.

(The Witness): I thought you were thinking of fixed capital as opposed to equity capital. If you mean something else—

1687. (Mr. Rippon): I do not want to go into too many details about the policy which a private company would follow, but in the case of a private company it has to have regard to such factors as to whether an increase in its debt makes it unattractive?—What do you mean by "debt"?

1688. I mean the amount of money that it has borrowed from the bank?—I see.

1689. As distinct from shares. Another factor it might bear in mind is whether, if it follows the policy of equity-financing broadly so-called, it might pass out of the hands of the existing shareholders?—Yes.

1690. That is the sort of argument that applies to a private undertaking which would not apply to a public utility undertaking?—But I am not discussing the difference between debt and equity-financing.

1691. But they are alternatives to internal financing?—Yes.

1692. And a company, seeing disadvantages in the other two, would say in these circumstances that as they were making substantial profits—which industries broadly were, over the decade in which you have been making researches—they would follow a self-financing policy perhaps much more than they did before the war?—Yes; these kind of thoughts may have gone through their minds, but I would not think they were the main factors influencing their judgment.

1693. Do you think it would be that internal financing is only possible when in fact profits are being made?—No. Self-financing, beyond depreciation—

1694. A building-up of reserves?—Yes—beyond depreciation of historical cost, is only possible where there are profits.

1695. I think, so far as the private sector of industry is concerned there are a good many respectable arguments against self-financing in the sense of building up a reserve?—Certainly. In so far as we are talking about self-financing to the extent of providing for depreciation of the currency, I am not really aware of any acceptable arguments—

1696. You are aware of none that you would accept?—You asked me the question; I am willing to accept any argument that you put.

1697. There is a general national argument that you get the generally effective allocation of national resources if profits are distributed so that shareholders can, through the medium of the capital market, assign their funds to what they consider to be the most remunerative uses?—Again, so far replacement is concerned—

1698. So far as reserves are concerned. We are talking of this self-financing; in the definition you gave, you broke it into two parts, replacement, which I think you are now saying should be done on an historical basis, and secondly, the building up of reserves to finance capital investment?—Yes, but those are two aspects of the same thing. You have provided for replacement in your Profit and Loss account and that then appears as a reserve.

1699. Or you might call it a maintenance equalisation account; I think that is a definition which you employ?—On the whole that is of a different character.

1700. You are not calling the maintenance equalisation account a general reserve in the sense in which you use that expression?—No.

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[Continued]

1701. The questions I have put to you really relate to the question of the general reserve as distinct from whether or not you ought to depreciate assets?—Yes; the self-financing goes in stages. There is, first of all, depreciation on historic cost; then provision for replacement on current prices and then there may be something over and above that. You are talking of the third stage.

1702. And as far as building up a reserve for capital investment is concerned, a private company may have many factors to take into account, including the effect it may have on the price of its shares—the unattractiveness which might appear to result if you have this unbalance in the capital-debt ratio, or the difficulties which might arise if they had to risk the control passing into other hands?—I have no doubt that how the company conducts its undertaking may be affected by all those factors.

1703. But, of course, the British Transport Commission would not be?—Agreed.

1704. I think another argument which is sometimes used against the building up of this reserve inside a particular industry is, of course, that the addition to reserves may precipitate further wage increases?—That is not an argument with which I am familiar.

1705. It is also sometimes argued that if the dividend distribution is too high?—I have heard that one more often.

1706. Have you ever left this Tribunal, once you have had a favourable decision to a fares increase, to meet the Unions in order to decide how the spoil might be distributed?—If you get a wage increase every year and a fares increase every year, they can hardly fail to overlap sometimes.

1707. Do you think the existence of a reserve might encourage a further wage demand; they might say: "It's no good saying you haven't got the money; there it is in the account, and it should be made available for that purpose?"—I should not think that was an important factor.

1708. But in the private sector of industry these matters are matters of debate?—I would be surprised if any private company failed to put money to reserve for fear of a wage increase.

1709. There are other reasons why they put money to reserve; would you say that in the private sector of industry taxation considerations may play a considerable part in the decision?—Yes.

1710. And, of course, in the period over which you are making your analysis there have been fairly buoyant profits?—May I say that with regard to taxation, that would only affect the amount of the reserve, not the basic question.

1711. If the Chancellor of the Exchequer discriminates against distributed profits, as happens from time to time, then the incentive to be self-financing in the private sector of industry is correspondingly encouraged?—There is a disincentive to distribution, I agree, which leaves more—

1712. But none of these considerations applies to the British Transport Commission at all?—I am not sure that I remember all that you have been reciting, but certainly many of these things will affect us less, not at all, or differently.

1713. So I suggest to you that it would be very dangerous to draw a very close analogy between the self-financing in the private sector of industry and the self-financing of a public utility, particularly a public utility which is not making profits?—But we are talking about the profits that ought to be made, and it is not quite the same. Let me agree with the first part of your question, that it would not be proper to draw a very close analogy, and I have not drawn a very close analogy; and I think it is relevant that it does not fit precisely at all points.

1714. What I really say is that so far as the British Transport Commission is concerned with its present deficit position, you say you want to make progress in three stages: First of all you want to break even in 1961 or 1962 and earlier in the case of London; and secondly, show a straightforward surplus on a revenue cost basis, which is what I suggest to you is implied in the 1956 White Paper; then as regards London, and only then, the third stage. Is it really sensible to talk about building up a reserve and making part of your capital expenditure programme self-financing?—I do not agree that you must

look at the Commission as a whole for this purpose. Each part should pay for itself and we are saying that London can and should pay its way.

1715. And the appropriation to reserve of the figure of £2m. would go into the general finances of the Commission?—Yes.

1716. But you would say that London Transport would have a right to draw on it?—As I think Sir Reginald said this morning, the cash would go to the Commission, but London Transport would have the reserve.

1717. I think the position of London Transport, so far as replacement is concerned, has not been entirely unsatisfactory already?—I do not know what that question means.

1718. Is it a fact that your fleet of buses, which has been virtually replaced, so I am instructed, was financed without borrowing?—It was financed, if you like, out of the money which London Transport brought to the Commission, so it is not really possible to identify each piece of money with each piece of investment.

1719. But is it correct to say that when one is talking in general terms about the finances of the Commission and is considering its borrowing powers, it is the British Transport Commission which is the legal entity which is bound to build up reserves, taking a certain amount from each undertaking which is in a profitable state?—It is the ultimate objective, yes, but there can still be reserves in the London Transport books.

1720. Would it not be fair to say that the reason why the British Transport Commission has been given this great borrowing power and the Special Account has been set up, is because it is appreciated that the British Transport Commission is not in a position yet to contemplate self-financing?—You keep trying to put the whole thing in a pot. The special borrowings are designed to help the railway in their special difficulties.

1721. They are not available to London Transport?—No, they are not available to London Transport.

—1722. The £1,200m. is only available to the British Transport Commission?—The £1,200m. if we are talking about the same thing, is the borrowing for capital purposes; it has nothing to do with the Commission. That is in respect of the modernisation plan; it is quite distinct from the deficit.

1723. But it goes together; you have to have the money and you have to borrow. The immediate effect is probably to increase your deficits but you are allowed to carry those to the Special Account?—I am sorry, but they are two distinct sets of borrowings. Certainly the borrowing we are making for capital purposes include the needs of London Transport, but the borrowings we make for deficit purposes are not available to London Transport.

1724. I appreciate that; that is a valid point. But I am putting to you that the borrowing for London Transport is done by the Commission?—Yes.

1725. So to that extent we are considering one part?—Yes, in the sense that a man and his banker are the same part.

1726. And it is expected that in present circumstances the British Transport Commission should finance its capital investment programme as a whole by borrowing and not by self-financing?—I accept that, but that is not implicit in any arrangement we have with regard to borrowing.

1727. And equally the converse is not implicit: There is no requirement that London Transport should be self-financing where everyone else is not; there is no statutory duty to build up a general reserve simply for London Transport to be self-financing?—I am not really in a position to discuss the statutory requirements with you; I am talking from the common sense and commercial approach.

1728. But not from the financial approach at all?—Very well—include the financial.

1729. I suggest that common sense approach is to use the borrowing power which the Commission have been given to finance London Transport as well as British Railways, rather than drive your traffic off the London Area lines with a permanent loss of goodwill?—If the assumptions contained in the second part of your question are accurate, probably the first part is right.

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[Continued]

1730. I suppose it is a matter for judgment; your judgment is that the traffic in London can stand this special revenue and it should make some provision for general reserves when no other part of the railway undertaking is required to do so?—London Transport is not part of the railway; other parts of the Commission are in fact self-financing.

1731. But not the railways?—No.

1732. The Hotels Executive is?—The Hotels are not, no.

1733. But, of course, I would concede that some of the considerations which you have been advocating in relation to the private sector of industry may apply to a particular transport undertaking; I mean, there are transport undertakings which have the same problems as private industry when they come to consider self-financing?—If they are private companies, they will have the same problems as private companies.

1734. That is what I am suggesting to you, in the case of the Western Welsh Omnibus Company, to which you referred on the Third Day, page 58, Question 259. You referred there to a letter from the Minister of Transport, relating to an appeal by the Western Welsh Omnibus Company?—Yes.

1735. I think the first letter is a letter of the 13th July, 1954, with the reference RT 514/7/020?—Yes, I have the reference.

1736. I wanted you to look at paragraph 7?—This is the earlier document, is it?

1737. Yes. In paragraph 7 you will see this: "The nett matter of importance is whether these Omnibus Companies were in the nature of quasi-public utility companies or commercial undertakings. The Minister is unable to accept the contention of the appellants that the respondent companies are in the nature of public utility undertakings. Despite the control placed on their operations and on these of possible competitors by the Road Traffic Act, 1930, the Minister agrees with the view expressed by the Inspector that these companies must be considered as commercial concerns. Their finances include equity capital subscribed by shareholders and in his opinion they are entitled to conduct their financial affairs in accordance with generally accepted commercial principles". Would you agree that that indicates that there is perhaps a difference, and an important difference, between the decision which the Minister gave in respect of the Western Welsh Omnibus Company and the position of the Transport Commission, which does not have any equity capital subscribed by shareholders?—It indicates that there is a difference, but I do not really think it is a difference of substance. In any case the companies to which it referred included the companies owned by the Commission.

1738. And this is a question, is it not, of really determining the limit of their profit in deciding whether or not a fare is unreasonable, or their provision for reserves is unreasonable?—In general that is how the Traffic Commissioners approach the question, yes.

1739. I put it to you that it is very materially different from the position of the British Transport Commission?—No.

1740. In paragraph 5 of that letter you will see this: "In view of the widely differing circumstances of various companies, and even of different services provided by the same company, it is clearly desirable that a licensing authority should have the widest possible discretion in this matter. But they cannot decide that fares are unreasonable without some basis on which to work and it is inevitable that one of the questions they should examine is whether the proposed fares will enable the company to maintain itself in an efficient and healthy condition. It follows that the finances of the company must be brought into question and it is the accepted practice of licensing authorities to have regard to the financial aspects of fare proposals". Do you accept that as a general principle, which ought to apply in every case?—Indeed—including London Transport.

1741. You could never come forward with a scheme for raising fares where you say: "This is not a financial case"?—It is rather a long drawn conclusion from this particular matter.

1742. Now would you look at the further letter of the 18th December, which was drawn to your attention on the Third Day; that is under reference RT 514/7/055-071. I think you were pointing out that the Minister followed

the same principles as he had followed in the earlier case?—Yes.

1743. I would like you to look at paragraph 4, which reads as follows: "An operator who is seeking to raise additional revenue by means of fares increases lies under the obligation to demonstrate need for the increased revenue. The evidence to be put forward to discharge this obligation must necessarily include estimates of the operator's future financial outturn, and the contents of such estimates represent a legitimate target for criticism by objectors". So you must in effect have a forward budget before you ask for a fares increase?—I would not contest this—

1744. Are you trying to suggest that there is a difference between a Bus Company's Application and an Application by the British Transport Commission?—You keep confusing the various bits of this Application. The basis for the Application and the reasons behind it outside London have been explained at great length by different witnesses, and I do not accept the inference that these quotations that you are putting to me necessarily determine the basis on which the case for outside London should have been put forward.

1745. And you would not necessarily put such an interpretation on the odd extracts that you have quoted?—I do, where they are relevant and suitable, and addressed to matters of a common character.

1746. And the general principles to which you were referring in your evidence apply not only to outside London, but to inside London; in so far as one can consider, for example, whether depreciation should be on a replacement or on a historic cost basis, or whether anyone in the position in which the British Transport Commission is now should be self-financing by way of reserves—it applies to London generally?—Yes; London is a self-contained entity to which separate financial tests can be applied.

1747. I cannot see any sort of case for outside London, but taking London as a special case for the moment, I am prepared to accept the general arguments you put forward in your quotations first of all from the "Economist" and then from the case of the Western Omnibus Company, and the arguments you are putting forward in favour of London Transport as a separate entity providing for replacement of its assets on the basis of current, not historic, cost, and also providing a general reserve?—Yes.

1748. First of all, there are reservations about the private companies, which have many factors to be taken into consideration which do not apply to a public utility?—You made that observation, but I do not think the differences are relevant. I agree there are differences.

1749. That is a matter of argument?—Yes.

1750. Then I am putting to you that so far as the Western Welsh Omnibus Company is concerned, there are again different considerations, because you are there dealing—this is not brought out in your extracts—with a Company which can potentially make profits and which has a measure of equity finance?—On the first point it is in the same position as London Transport—making profits or potentially making profits. It is an undertaking which can be identified, and can make profits.

1751. Yes, I accept that for the moment; but the difference is that one is a pure public utility and the other is a company very much in the nature of a private company, where it is reasonable that fares should be fixed so as to produce a reasonable sum to be distributed to the shareholders, and the reasonableness of that sum should be judged against the capital employed in the business rather than the nominal capital?—I think the nature and circumstances of London Transport and of a Provincial Bus Company are very similar; they are both doing the same kind of job.

1752. But, of course, London Transport's finances do not include equity capital provided by shareholders?—That is so.

1753. I do not proceed much beyond that point; there may be some other considerations. There is also this point which the Minister makes in his letter of the 12th July, that it is a matter of importance whether these omnibus companies were in the nature of quasi-public utility companies or commercial undertakings, and I am only using the distinction between London Transport and these Bus Companies in that sense?—Yes.

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[Continued]

1754. What I am really trying to put to you is this: Would you not agree that these Bus Company cases go no further than saying this, that if the company is held to be a commercial undertaking as distinct from a quasi-public utility because its financial structure includes equity capital subscribed by shareholders, then the Minister's decision is authority for saying that it is proper that they should build up reserves if they do not make unreasonable profits or charge unreasonable fares?—I go this far with you, that of course if the circumstances are precisely the same as enunciated in paragraph 7, paragraph 7 has a greater force; if the circumstances are slightly different, the force of the paragraph is slightly lessened. But I think what is good for this undertaking is good for London Transport.

1755. I appreciate that that is your answer; we have a difference of opinion about that, but it is a matter for argument and for the judgment of the Tribunal?—Yes.

1756. Have you also investigated some other materials, such as you could find, about the nationalised industries?—Yes.

1756. I think you referred to that in Question 232 on the Second Day, at page 54. In Question 232 you were asked: "Have you also investigated such materials as you could find about the other Nationalised industries?—(A) Yes. I must say first of all that the record of the Nationalised industries is very different from the record of the limited liability companies; none of these Nationalised boards has so far been able to make a more than modest provision for self-financing; but they nearly all realise the need for it with varying degrees of force. (Q) What has been the main reason?—(A) The main reason has been the great emphasis which has been placed on price restraint". I put it to you that there is really also another reason, and that has been their non-profitability?—Yes; the one is the consequence of the other to a very large extent.

1758. May there not be other factors, such as non-profitability due to war-time arrears of maintenance and modernisation?—Yes; that certainly has been the fact in the case of British Railways.

1759. I put it to you that British Railways are in deficit, not because of inefficiency, but because of capital requirements to meet arrears of maintenance and to bring about modernisation?—The fact that they were not modern is the main factor, and also as Sir Reginald has explained, the fares situation.

1760. And it is in a sense non-profitability as well as price restraint. Put it this way: No matter how much you raised your prices in the British Transport Commission, or on London Transport, you could not possibly hope to be self-financing?—On London Transport certainly.

1761. What about British Railways?—Yes; there were times probably when we could have done it.

(President): I think we shall have to adjourn now, but I hope, Mr. Rippon, you will remember whom you are representing. In a large number of these questions we are engaged really on the financing of the Commission as a whole, but I understand that your objection is one directed to London Transport.

(Mr. Rippon): With respect, Sir, it is a matter of submission, but I am not accepting for a moment that the basis on which to calculate depreciation—the considerations as to whether you should have reserves—are matters which could be considered in isolation. This part of my cross-examination is really only directed to the general principles on which a non-profit making public utility undertaking ought to apply.

(President): I agree that it is difficult for you to draw the line between the general picture and the local picture.

Very well; we shall adjourn now until half-past 10 to-morrow morning.

(The witness withdrew)

(Adjourned until to-morrow morning at 10.30)

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[Continued]

EXHIBIT BEC 1

LONDON AREA

COMPARISON OF SECOND CLASS DAY RETURN FARES AND WEEKLY SEASON TICKET RATES ON LONDON LINES OF BRITISH RAILWAYS, UNDER 1952 SCHEME, EXISTING SCHEME AND PROPOSED SCHEME

Miles (Single Journey Distance)	1952			Existing			Proposed		
	Day Return Fare (2)	Weekly Season Rate (3)	Col. (3) divided by Col. (2) (4)	Day Return Fare (5)	Weekly Season Rate (6)	Col. (6) divided by Col. (5) (7)	Day Return Fare (8)	Weekly Season Rate (9)	Col. (9) divided by Col. (8) (10)
(1)									
5 ...	s. d. 1 4	£ s. d. 8 0	6-00	£ s. d. 1 8	£ s. d. 10 0	6-00	£ s. d. 1 10	£ s. d. 11 6	6-27
8 ...	2 0	10 3	5-13	2 8	13 3	4-97	2 10	15 6	5-47
9 ...	2 4	11 3	4-82	3 0	14 3	4-75	3 2	17 0	5-37
10 ...	2 6	12 0	4-8	3 4	15 3	4-58	3 6	18 3	5-21
11 ...	2 10	12 9	4-5	3 8	16 3	4-43	3 10	19 3	5-02
12 ...	3 0	13 9	4-58	3 10	17 0	4-43	4 2	1 0 6	4-92
13 ...	3 4	14 6	4-35	4 2	17 9	4-26	4 6	1 1 6	4-78
14 ...	3 6	15 3	4-35	4 4	18 9	4-33	4 10	1 2 9	4-71
15 ...	3 10	16 3	4-24	4 8	19 6	4-18	5 2	1 3 9	4-60
20 ...	5 0	19 6	3-9	6 0	1 3 6	3-92	6 10	1 9 3	4-28
25 ...	6 4	2 0	3-47	7 4	1 6 3	3-58	8 6	1 14 9	4-09
30 ...	7 6	1 4 6	3-27	8 6	1 8 9	3-38	10 2	1 19 3	3-86
40 ...	10 0	1 10 0	3-00	11 2	1 14 3	3-07	13 6	2 8 3	3-57
50 ...	12 6	1 17 6	3-00	13 8	2 1 9	3-05	16 10	2 16 6	3-36
60 ...	15 0	2 5 0	3-00	16 4	2 9 3	3-02	1 0 2	3 3 3	3-14
75 ...	18 10	2 16 3	2-99	1 0 2	3 0 9	3-01	1 5 2	3 15 6	3-00

EXHIBIT BEC 2

LONDON AREA

COMPARISON OF SECOND CLASS DAY RETURN FARES AND MONTHLY SEASON TICKET RATES ON LONDON LINES OF BRITISH RAILWAYS, UNDER 1952 SCHEME, EXISTING SCHEME AND PROPOSED SCHEME

Miles (Single Journey Distance)	1952			Existing			Proposed		
	Day Return Fare (2)	Monthly Season Rate (3)	Col. (3) divided by Col. (2) (4)	Day Return Fare (5)	Monthly Season Rate (6)	Col. (6) divided by Col. (5) (7)	Day Return Fare (8)	Monthly Season Rate (9)	Col. (9) divided by Col. (8) (10)
(1)									
5 ...	s. d. 1 4	£ s. d. 1 8 3	21-19	£ s. d. 1 8	£ s. d. 1 16 0	21-6	£ s. d. 1 10	£ s. d. 2 1 0	22-36
8 ...	2 0	1 17 3	18-63	2 8	2 8 0	18-00	2 10	2 16 0	19-76
9 ...	2 4	2 0 3	17-25	3 0	2 11 6	17-17	3 2	3 1 0	19-26
10 ...	2 6	2 3 3	17-3	3 4	2 15 0	16-5	3 6	3 6 0	18-86
11 ...	2 10	2 6 3	16-32	3 8	2 18 6	15-95	3 10	3 10 0	18-26
12 ...	3 0	2 9 3	16-42	3 10	3 1 6	16-04	4 2	3 14 0	17-76
13 ...	3 4	2 12 3	15-68	4 2	3 4 6	15-48	4 6	3 18 0	17-33
14 ...	3 6	2 15 3	15-79	4 4	3 7 6	15-58	4 10	4 2 0	16-97
15 ...	3 10	2 18 3	15-20	4 8	3 10 6	15-11	5 2	4 6 0	16-65
20 ...	5 0	3 10 9	14-15	6 0	4 5 0	14-17	6 10	5 6 0	15-51
25 ...	6 4	3 19 6	12-55	7 4	4 15 0	12-95	8 6	6 6 0	14-82
30 ...	7 6	4 8 3	11-77	8 6	5 3 9	12-21	10 2	7 2 3	13-99
40 ...	10 0	5 5 9	10-58	11 2	6 1 3	10-86	13 6	8 14 9	12-94
50 ...	12 6	6 3 3	9-86	13 8	6 18 9	10-15	16 10	10 4 9	12-16
60 ...	15 0	7 0 9	9-38	16 4	7 16 3	9-57	1 0 2	11 9 9	11-39
75 ...	18 10	8 7 0	8-87	1 0 2	9 2 6	9-05	1 5 2	13 7 3	10-62

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[Continued]

LONDON AREA

EXHIBIT BEC 3

INCREASES IN SECOND CLASS DAY RETURN FARES, WEEKLY SEASON TICKET RATES AND MONTHLY SEASON TICKET RATES ON
LONDON LINES OF BRITISH RAILWAYS, BETWEEN 1952 SCHEME, EXISTING SCHEME AND PROPOSED SCHEME

Miles (1)	Per cent. increase in Day Return Fare			Per cent. increase in Weekly Season Rates			Per cent. increase in Monthly Season Rates		
	1952 to existing (2)	Existing to proposed (3)	1952 to proposed (4)	1952 to existing (5)	Existing to proposed (6)	1952 to proposed (7)	1952 to existing (8)	Existing to proposed (9)	1952 to proposed (10)
5	25.0	10	37.5	25.0	15.0	43.75	27.4	13.89	45.13
8	33.3	6.3	41.7	29.3	17.0	51.2	28.9	16.67	50.34
9	28.6	5.6	35.7	26.7	19.3	51.1	28.0	18.45	51.55
10	33.3	5	40.0	27.1	19.7	52.1	27.2	20.00	52.60
11	29.4	4.5	35.3	27.5	18.5	51.0	26.5	19.66	51.35
12	27.8	8.7	38.9	23.6	20.6	49.1	24.9	20.33	50.25
13	25.0	8	35.0	22.4	21.1	48.3	23.4	20.93	49.28
14	23.8	11.5	38.1	23.0	21.3	49.2	22.2	21.48	48.42
15	21.7	10.7	34.8	20.0	21.8	46.2	21.0	21.99	47.64
20	20.0	13.9	36.7	20.5	24.5	50.0	20.1	24.71	49.82
25	15.8	15.9	34.2	19.3	32.4	58.0	19.5	32.63	58.49
30	13.3	19.6	35.6	17.3	36.5	60.2	17.6	37.11	61.19
40	13.7	20.9	35.0	14.2	40.9	60.8	14.7	44.12	65.25
50	9.3	23.2	34.7	11.3	35.3	50.7	12.6	47.57	66.13
60	8.9	23.5	34.4	9.4	28.4	40.6	11.0	47.04	63.23
75	7.1	24.8	33.6	8.0	24.3	34.2	9.3	46.44	60.03

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